



COUNCIL EXECUTIVE

SCOTTISH DRAFT BUDGET 2022 AND LOCAL GOVERNMENT FINANCE SETTLEMENT 2022/23

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 9 December 2021, and the local government finance settlement for 2022/23, as published in Finance Circular 9/2021 dated 20 December 2021.

B. RECOMMENDATION

It is recommended that Council Executive:

1. Notes the issue of the Scottish Draft Budget 2022/23, which includes Scottish Government departmental spending plans for 2022/23;
2. Notes the outcome of the local government finance settlement in respect of revenue and capital funding for 2022/23;
3. Notes that the anticipated revenue grant funding for West Lothian contained in the settlement, including assumed amounts for recurring funding yet to be distributed, is £384.142 million;
4. Notes that COSLA has described the budget as a bad deal for communities and warned that serious financial challenges in key service areas lie ahead for Scotland's councils;
5. Notes the net reduction in core revenue funding to the council since 2014/15 and the significant savings that have been required since 2007/08;
6. Agrees that the Head of Finance and Property Services updates the 2022/23 revenue budget report taking account of the outcome of the finance settlement and latest circumstances and updates the capital programme taking account of latest funding position and circumstances;
7. Agrees that the uncommitted General Fund balance of £2.261 million is retained until the council's 2022/23 budget is reported to Council in February 2022 to allow work to be undertaken to update the 2022/23 revenue budget model;
8. Agrees that the Head of Finance and Property Services should keep the position regarding Scottish Government funding under review and report to elected members on any developments.

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 no later than 24 February 2022 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 major impact on the level of resources available to the council and, as a result, on 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)	Scottish Government funding is not sufficient to meet increasing costs and demand for services. An assessment of the local government finance settlement for 2022/23 is being made and officers are considering the implications for the council's budget.
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.
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, in a statement to the Scottish Parliament on 9 December 2021, announced the Scottish Draft Budget for 2022/23. The Minister also wrote to the COSLA President, copying Council Leaders, on 9 December 2021 to confirm details of the local government finance settlement. The Scottish Government published Local Government Finance Circular 9/2021 on 20 December 2021 to be read in conjunction with the Minister's letter of 9 December 2021. The allocations form the basis of the annual consultation between the Scottish Government and COSLA, ahead of the Local Government Finance (Scotland) Order 2022 being presented to the Scottish Parliament in 2021. The draft Scottish Budget will be considered by the Scottish Parliament at readings of the Bill in the last week of January 2022, first week in February 2022 and after February 2022 recess (dates still to be agreed).

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 enabled the council to comply with best practice guidance 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 financial plan was subsequently updated by Council on 19 February 2019, 28 February 2020 and 25 February 2021 and it was noted that a budget gap remained in 2022/23. It was agreed that officers should consider options to address the gap, including potential budget savings and use of council tax flexibility, whilst minimising any adverse impact on service delivery. The 2019/20 annual audit report from EY, the council's external auditors, commented favourably on the budgetary process followed and the decisions made by the council.

D.2 Scottish Economy

The Scottish Fiscal Commission (SFC) contributes to the Scottish Budget process by providing independent and official forecasts for the Scottish economy and labour market, devolved tax revenues and devolved social security spending. As income tax has been devolved to Scotland, economic forecasts have an impact on income tax estimates. The Scottish Budget is based on forecasts and, as information on actual revenues and spending becomes available, the Scottish Government's funding is adjusted in response.

The Covid-19 pandemic continues to affect society, the economy, and the Scottish Budget, but to a lesser extent than expected when the forecasts were produced for the previous Scottish Budget in January 2021. The vaccination programme has weakened the links between case numbers, hospitalisations and deaths, and the public health response has shifted. The economic recovery has been faster and smoother than expected. It is anticipated in the longer term Covid-19 will become endemic and begin to be managed through guidance and voluntary measures. The forecasts were finalised before the emergence of the Omicron variant and current information on the severity and likely implications for restrictions of Omicron are still emerging.

The SFC forecasts, published alongside the draft Scottish Budget, show an improved economic outlook, this is in part due to public health restrictions being lifted more quickly than anticipated in January 2021. A strong economic recovery is expected in 2021/22, with Scottish GDP growing by 10.4% which implies a return to pre-pandemic levels of economic activity by the second quarter of 2022.

Table 1: Scottish GDP Forecasts

	2020	2021	2022	2023	2024	2025	2026
Scottish Forecast GDP (January 2021)	(10.7%)	1.8%	7.5%	1.6%	1.6%	1.7%	
Scottish Forecast GDP (December 2021)		10.4%	2.2%	1.2%	1.3%	1.4%	1.4%

The labour market has been more resilient than many economic forecasters expected throughout 2020/21 and 2021/22. The unemployment rate is expected to peak at 4.9%, which is a significant downward revision from the January 2021 forecast which peaked at 7.6%.

In line with the OBR, the SFC expect CPI inflation to peak at 4.4% in quarter 2 of 2022, and gradually return to target in the second half of 2024 as supply chain issues ease, global demand rebalances and energy prices fall back.

The SFC's income tax forecast for 2022/23 has increased by £764 million compared to their January 2021 forecast, driven by more resilient economic performance. Freezing the higher rate income tax threshold raises an additional £106 million in revenue in 2022/23. A comparison of the Scottish income tax forecast between January 2021 and December 2021 is provided in the table below:

Table 2: Scottish Income Tax Forecasts

	2021 £'m	2022 £'m	2023 £'m	2024 £'m	2025 £'m	2026 £'m
Income Tax Forecast (January 2021)	12,263	12,907	13,481	14,080		
Income Tax Forecast (December 2021)	13,002	13,671	14,313	15,056	15,790	16,445
Change since previous forecast	739	764	832	976		

Although the forecast for Scottish income tax revenues has increased since January, it is expected that in 2022/23 revenues will be £190 million less than the income tax Block Grant Adjustment. This funding shortfall is expected to continue, reaching £417 million by 2026/27.

In spite of the pace of the recovery, the SFC state there is some evidence that the Scottish economy has been lagging behind the UK. Compared to pre-pandemic levels, GDP, employment and earnings have recovered more slowly than in the UK. In part, this can be explained by a divergent sectoral and regional recovery, with areas like finance growing strongly in London. However, some issues pre-date Covid-19: declining North Sea oil and gas activity continues to act as a dampener, and Scotland's demographics are reducing labour market participation relative to the UK. The SFC expect slower growth in earnings and employment in Scotland to continue over the next few years. This has important implications for tax revenues and the Scottish budget.

The latest forecasts from SFC are for Scottish tax revenues to be just £6 million greater than the Block Grant Adjustment in 2021/22. Due to Covid-19 and forecast timing effects, the Scottish net income tax position for 2021/22 was inflated by £469 million, the difference between Scottish income tax revenues should have been £6 million, rather than the £475 million originally estimated for that year. Therefore, a negative £469 million reconciliation is expected to be applied in budget year 2024/25. The Scottish Government will use Resource Borrowing power to offset the reconciliation but this will only cover £300 million, with the remaining £169 million coming off the Budget. Currently the Scottish Government has enhanced borrowing powers and greater flexibility to use the Scotland Reserve because January 2021 forecasts triggered a "Scotland-specific economic shock". These flexibilities expire after 2023/24 and are therefore not available to the Scottish Government to manage all of the large income tax reconciliation expected in 2024/25.

The SFC believe that from 2022/23, total earnings and employment are expected to continue to grow more slowly in Scotland than in the rest of the UK, and these economic factors are increasingly outweighing the additional income tax revenues from policy changes.

D.3 Total Spending in Scotland

In overall terms, Scotland's total proposed spending plans, as set out in the Draft Budget 2022/23, amount to £56,391 million; this is a cash increase of £1,131 million compared to 2021/22. The allocations for each portfolio are set out in the table below:

Table 3: Total Scottish Budget by Portfolio

Portfolio	2021/22 Budget £'m	2022/23 Draft Budget £'m	Movement £'m
Health and Social Care	17,234.3	18,043.1	808.8
Social Justice, Housing and Local Government	16,554.0	16,724.4	170.4
Finance and Economy	8,036.6	8,219.9	183.3
Education and Skills	4,324.6	4,146.5	(178.1)
Justice and Veterans	3,026.6	3,143.3	116.7
Net Zero, Energy and Transport	4,413.9	4,412.6	(1.3)
Rural Affairs and Islands	963.2	966.8	3.6
Constitution, External Affairs and Culture	349.5	370.5	21.0
Deputy First Minister and Covid Recovery	64.7	42.9	(21.8)
Crown Office and Procurator Fiscal Service	156.7	180.9	24.2
Scottish Parliament and Audit Scotland	135.6	139.7	4.1
Total	55,259.7	56,390.6	1,130.9

Total proposed spending includes both revenue resource and capital spending plans with health and social care receiving the biggest increase in funding of £809 million, a 4.7% increase. Local government represents the second largest element of the overall Scottish Budget, however the increase in funding of £170.4 million for local government represents an increase of 1.0% in comparison.

Overall the SFC expect the Scottish Budget in cash terms to increase by 10% between 2022/23 and 2026/27, largely because of increases in UK Government funding. In the UK Spending Review announced in October 2021, Scotland will receive an additional £4.6 billion per year on average with the unadjusted Scottish Block grant increasing from £36.7 billion (excluding Covid funding) in 2021/22 to £41.8 billion in 2024/25. This equates to a 2.4% real terms increase over the Spending Review period, although the increase is front loaded with the biggest increase in 2022/23. Increased resource funding is partially offset by a shrinking capital budget and anticipated shortfalls between tax revenues and Block Grant Adjustments. The Scottish Government also plans social security spending above the corresponding Block Grant Adjustment funding. This creates pressures over the next five years and the Scottish Government will need to balance its spending plans against the available budget.

D.4 Devolved Taxation

Scottish Government spending plans are underpinned by revenue raising tax powers devolved by the Scotland Act 2016. In 2022/23, tax revenues raised in Scotland will fund around £13.7 billion 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.

The thresholds of the proposed Scottish Income Tax bands for 2022/23 are as follows:

Table 4: Scottish Income Tax Rates 2022/23

Scottish Income Tax Rates	Scottish Bands
Scottish Starter Rate 19%	Over £12,570 to £14,732
Scottish Basic Rate 20%	Over £14,732 to £25,688
Scottish Intermediate Rate 21%	Over £25,688 to £43,662
Scottish Higher Rate 41%	Over £43,662 to £150,000
Scottish Additional Rate 46%	Over £150,000

Scottish Income Tax rates will remain unchanged in 2022/23. The Starter and Basic Rate bands will increase by CPI inflation (3.1%). The Higher and Top Rate thresholds will remain frozen in cash terms at £43,662 and £150,000, respectively, so more income will be taxed at the higher rate of 41%, raising an expected £106 million of additional revenue in 2022/23.

Land and Buildings Transaction Tax (LBTT)

Residential rates and bands will remain at their current level. The First-Time Buyer Relief will also continue to be available. This has the effect of increasing the nil rate band from £145,000 to £175,000 for first-time buyers. The Scottish Government is proposing that the Additional Dwelling Supplement (ADS) is maintained at 4% in 2022/23. The ADS rate of 4% applies to the total price of the property for all relevant transactions of £40,000 or more.

Scottish Landfill Tax

The Scottish Government is proposing that the standard rate of Scottish Landfill Tax (SLFT) increases to £98.60 per tonne and the lower rate to £3.15 per tonne in 2022/23 to ensure consistency with planned Landfill Tax charges in the rest of the UK.

As set out in section D.3, Scottish Government spending plans are underpinned by revenue raising tax powers devolved by the Scotland Act 2016. If the Scottish forecasts for tax receipts prove to be optimistic and result in reconciliation adjustments, there would be a negative impact on the overall resources available within future Scottish Budgets due to the reconciliations between the actual revenue collected and the Block Grant Adjustment.

D.5 Public Sector Pay Policy

The public sector pay policy applies to staff under the Scottish Governments' remit, which does not include local government. The public sector pay policy for 2022/23 was announced alongside the draft Scottish Budget 2022/23. It includes an inflationary uplift of £775 (equates to 3.1% rise) for those earning up to £25,000, those earning between £25,000 and £40,000 will get an uplift of £700, whilst those earning over £40,000 will receive an uplift of £500. The Cabinet Secretary for Finance also announced a minimum wage floor of £10.50 for all bodies covered by the pay policy, including social care staff. Specific funding has been provided by the Scottish Government to local authorities to implement this for social care workers employed by contractors.

D.6 Welfare Changes

The Scotland Act 2016 devolved various areas of social security to Scotland, mainly related to carers and disability benefits. The Social Security (Scotland) Act 2018 received Royal Assent on 1 June 2018, with Scottish social security benefits now being delivered. The Scottish Government has been implementing the devolved powers on a phased basis and new social security powers over Attendance Allowance, Disability Allowance, Industrial Injuries Disablement Allowance, Personal Independence Payments and Severe Disablement Allowance commenced in 2020/21.

Social security powers transferred to Scotland need to be managed within HM Treasury budget control limits and this has introduced increased volatility into the Scottish Budget. Any increase in demand against what has been forecast by the SFC needs to be managed through a combination of drawing down funding from the Scotland reserve, utilising resource borrowing powers or in-year adjustments to other budgets.

The Scottish Government is forecast to spend £4.1 billion on social security in 2022/23, including new spending plans announced in the Budget. Spending announced will be on Scottish Child Payment, Low Income Winter Heating Assistance and Adult Disability Payment. It is forecast that social security spending will increase from £4.1 billion in 2022/23 to £5.5 billion in 2026/27.

Scottish Child Payment

The Scottish Child Payment is a weekly payment to low income families with children under the age of six. It opened for applications on 9 November 2020 with the first payments starting to be made from February 2021. The Scottish Child Payment will double from £10 to £20 per child per week from April 2022. The forecast allows for the possibility that the higher payment rate encourages more applications.

Low Income Winter Heating Assistance

This launches in winter 2022 replacing Cold Weather Payments and is forecast to cost £21 million in 2022/23.

Adult Disability Payment

Forecasts also include the launch of the largest social security payment, Adult Disability Payment (ADP), which will replace Personal Independence Payment. People qualify for ADP on the basis of a disability or health condition, and their eligibility is not affected by their income or employment status. This means spending on ADP is not related to economic performance, and instead is primarily related to demographics. Older people are more likely to receive ADP and therefore a combination of an aging population and increases in the state pension age mean it is expected the number of people receiving ADP will increase over the next five years.

D.7 Local Government Funding

In 2022/23, the total managed expenditure available within the local government portfolio is £11.141 billion. 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 2022/23 local government funding settlement is £12.474 billion. The difference between the revenue funding in the finance circular and the Scottish Budget report is £64 million which was not identified on the face of the budget report. The formula share of the revenue grant, non-domestic rate income and capital grant for each council is set out in Finance Circular 9/2021, published on 20 December 2021. The total funding for local government as detailed in the circular based on the Scottish Draft Budget is set out below:

Table 5: Scottish Government Funding to Local Government (Cash Terms)

	2021/22 Budget £'m	2022/23 Draft Budget £'m	Movement £'m
Revenue Funding			
General Revenue Grant	8,161.4	8,276.7	115.3
Non-Domestic Rates Income (NDRI)	2,090.0	2,766.00	676.0
Specific Grants	752.1	752.1	0
Total Revenue Funding	11,003.5	11,794.8	791.3
Capital Funding	616.9	679.5	62.6
Total Government Funding to Local Government	11,620.4	12,474.3	853.9

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 2022 being presented to the Scottish Parliament in February 2022.

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 provisional at this stage, and will be subject to any correction agreed as part of the consultation process.

The overall revenue provided by the Scottish Government to local government in 2022/23 will increase in cash terms by £791 million. There is an increase of £62.6 million to the capital funding available to local government in 2022/23. Much of the increase in revenue funding is attributed to ring-fenced funding earmarked to implement minimum pay for staff and adult social care commissioned services, a commitment to children and young people (including additional teachers, music tuition, school clothing grants, increase in Pupil Equity Fund) and health and social care (carers act, free personal care, winter package and social care pay).

There is no amount in the finance settlement for the employer's national insurance contribution increase and there is a reduction of £15 million from previously agreed multi-year funding settlement for Early Learning and Childcare (ELC) expansion revenue funding.

COSLA presented an assessment of the overall position in their budget reality document issued on 9 December 2021. In summary, the position is a reduction in revenue funding and flat cash for capital funding for local government. COSLA, and the leaders of all local authorities in Scotland, have expressed their concerns at the local government finance settlement in a letter to the First Minister and Cabinet Secretary for Finance and the Economy on 24 December 2021. A copy of this letter is provided in Appendix 1 for information.

Table 6: COSLA's Budget Reality – Revenue Budget

	£'m
Cash Increase in Revenue Funding	791.4
<u>Less: Scottish Government Commitments</u>	
Children and Young People	(180.0)
Health and Social Care	(354.0)
Staff Retention and £10.50 per hour social care services	(200.0)
Scottish Child Bridging Payments	(68.0)
<u>Less: Other Known Policy Pressures Not Funded by the Scottish Government</u>	
Council Tax Reduction Regulation Changes	(19.0)
Employers National Insurance Contribution Increase	(70.0)
Cash Decrease in Revenue Funding	(99.6)

Following the publication of the Scottish Budget and COSLA's budget reality document, it was confirmed in finance circular 9/2021 that an additional £64 million revenue was not identified on the face of the budget as well as £30 million of capital funding to facilitate the expansion of free school meals. This accounts for the differences in revenue funding between tables 5 and 6 above.

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 and by 2022/23, local government's share of the total budget will be 22% of the Resource and Capital spend combined.

D.8 Package of Measures and Associated Commitments

The letter from the Finance Secretary on 9 December 2021 outlined that individual local authorities will, in return for this settlement, be expected to deliver certain specific commitments.

The package of measures offered to councils is as follows:

- £145 million for additional teachers and support staff in addition to the £88 million to maintain the pupil:teacher ratio nationally and secure places for all probationers who require one under the teacher induction scheme;
- Funding to maintain 100 day commitments including the removal of curriculum and music tuition charges and expanded School Clothing Grant;
- £68.2 million for Child Bridging Payments;

- Maintaining the £292.6 million provided in 2021/22 and providing a further £353.9 million transfer from Health for investment in health and social care and mental health services – including £174.5 million to support ongoing adult social care pay, £20.4 million to continue implementing improved rights and support for carers, £15 million to uplift free personal nursing care rates, £124 million of recurring care at home investment, and £20 million for interim care;
- In addition, a further £200 million will be transferred to support pay and sustainability of social care services. This requires local government to deliver a £10.50 minimum pay settlement for adult social care workers in commissioned services, in line with the equivalent commitment being made in the public sector pay policy.
- £5.3 million for Assessors for Barclay implementation costs;
- An extra £62.5 million of capital including:
 - £30 million for expansion of Free School Meals for P5;
 - £20 million for the Local Bridge Maintenance Fund;
 - £11 million for Flood Prevention; and
 - £1.6 million for Coastal Protection.

Although funding is provided for items such as removal of instrumental music charges, there is a risk that the total funding quantum is insufficient, especially if demand for services increases as a result removal of fees. This will be kept under review and should funding be insufficient, raised with COSLA and the Scottish Government.

As noted, the overall finance settlement for local government in 2022/23 in the circular is £12,538.3 billion. The settlement also includes a number of items which have yet to be distributed to councils. Distribution of these items will be confirmed in due course.

Table 7: Items to be Distributed in 2022/23 Local Government Finance Circular

Items to be Distributed	Total £'000
Teachers Induction	37,600
Discretionary Housing Payments	80,200
Pupil Equity Fund	10,000
Support for Ferries	1,000
New Health & Social Care	200,000
Free School Meal Expansion	42,200
Free School Meal Holidays	21,750
Education Psychologists	450
Removal of School Fees Instrumental Music Service	12,000
Removal of Core Curriculum Fees	8,000
Scottish Child Payment	68,200
Gaelic	103
Customer First Top Up	1,410
Total	482,913

The letter from the Finance Secretary on 9 December 2021 announced councils will have full flexibility to set the Council Tax rate that is appropriate for their local authority area. It also stated an extension of the flexibilities to allow capital receipts to be used to fund the financial impact of Covid-19 and to fund transformational projects in 2022/23. The extension of these flexibilities is dependent on confirmation from the UK Government that this will not result in an adjustment to Scotland's block grant. Similarly, it has been agreed to extend the period for the loans fund principal repayment holiday for one further year for those who have not already taken advantage of the holiday. West Lothian Council have approved that the holiday will be taken in 2022/23.

D.9 High Level Implications for West Lothian Council

Draft 2022/23 Scottish Government funding for West Lothian Council is £384.142 million, which is £19.091 million greater than the equivalent figure in 2021/22 and includes assumptions regarding funding for items which have yet to be distributed and therefore are subject to change.

It is important to note that, within the provisional West Lothian allocation, there is £17.527 million of funding which relates to new additional expenditure commitments for 2022/23. Taking account of this, the council's 2022/23 core cash revenue funding from the Scottish Government for existing service delivery has increased by £1.564 million compared to 2021/22.

However to keep reporting consistent with the position reported in COSLA's budget reality document, the council's estimated cost of the unfunded council tax reduction legislation changes and national insurance contribution increase must be deducted. This results in a reduction in core revenue funding of £1.462 million. In summary, the movement in funding for West Lothian Council is as follows:

Table 8: Movement in Scottish Government Recurring Revenue Grant Funding for West Lothian Council

		£'000
2021/22 Scottish Government Recurring Grant Funding		365,051
2022/23 Scottish Government Recurring Grant Funding		384,142
Gross Increase in Recurring Grant Funding		19,091
Less Ringfenced Grants for Scottish Government Commitments:		
• Children & Young People	(7,525)	
• Health and Social Care	(10,344)	
• Other movements	342	(17,527)
Council Estimated Cost of Unfunded CTRS & National Insurance		(3,026)
Net Reduction in 2022/23 Core Recurring Revenue Grant Funding		(1,462)

Figures for provisional capital grant funding indicate that the council will receive general capital grant funding of £11.556 million, which is £244,000 less than budgeted. This decrease in capital grant funding continues the trend of the reduction in general capital grant from the Scottish Government. In addition to the general capital grant there is £805,000 ring fenced capital funding for Cycling, Walking and Safer Streets.

Further information on the medium-term financial implications will be 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 the Covid-19 pandemic, further contributes to the uncertainty around future funding.

The increased use of ringfenced and earmarked funding for Scottish Government initiatives and priorities, means that total resources available to support existing local service delivery remain constrained. Table 9 illustrates the movement in core revenue funding received by the council over the period since 2014/15.

Table 9: Analysis of Movement in Core Scottish Government Revenue Grant Funding – 2014/15 to 2022/23

Year	Gross Movement £'000	Ringfenced Funding £'000	Net Movement in Core Funding £'000
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	7,755	9,462	(1,707)
2020/21	6,404	9,923	(3,519)
2021/22	12,068	6,610	5,458
2022/23	19,091	20,553	(1,462)
Total	57,748	69,787	(12,039)

Following the announcement of the draft local government finance settlement, officers are reviewing the budget model to incorporate the updated funding for 2022/23. In addition, officers are continuing to review budget model assumptions to reflect changes in circumstances. Taking account of confirmation of the 2022/23 local government finance settlement, and the latest budget model assumptions, the Head of Finance and Property Services will present an updated 2022/23 revenue budget and updated capital investment programme to Council for approval in February 2022. The revenue budget report will also contain information on the estimated financial position for 2023/24 to 2027/28. As work has yet to be finalised on the council's 2022/23 budget, it is recommended that the uncommitted General Fund Balance of £2.261 million is retained at the current time to be considered as part of the budget setting process at full council in February 2022.

The Scottish Parliament will consider the draft Scottish Budget at readings scheduled in January and February 2022, where there is the potential for the draft Scottish Budget to be amended. COSLA described the budget as a bad deal for communities and warned that serious financial challenges in key service areas lay ahead for Scotland's Councils. In the "Budget Reality" briefing document, COSLA emphasised that Local Government core revenue funding for 2022/23 is cut by £100 million, before any other pressures such as National Insurance costs, pay or inflation are taken into account. COSLA will continue to campaign for an increase to the local government finance settlement during the budget bill readings.

E. CONCLUSION

The Scottish Government published the draft 2022/23 Scottish Budget on 9 December 2021 and the Cabinet Secretary for Finance wrote to the COSLA President on the same day. The provisional local government finance settlement for 2022/23 was announced on 21 December 2021. The total local government settlement is £12,474.3 billion with core revenue grant funding for 2022/23 being reduced by just under £100 million.

For West Lothian, the comparable decrease in core funding compared to 2021/22, based on COSLA's budget reality approach, is £1.462 million. The revenue funding package proposed by the government, as noted by COSLA, falls short of the funding required by Local Government to meet cost pressures and increasing demands. Significant savings will continue to be required in 2022/23 and if funding continues to follow in future years as well. In addition, the council's core general capital grant has been reduced by £244,000.

The Head of Finance and Property Services is assessing 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 a review of the figures and forecasts contained in the local government finance settlement and associated documents, the Head of Finance and Property Services will update the revenue and capital budgets for 2022/23 for reporting to Council in February 2022.

F. BACKGROUND REFERENCES

Revenue Budget 2021/22 - 2022/23 - Report by Head of Finance and Property Services to West Lothian Council on 25 February 2021

Autumn Budget and Spending Review 2021 – Report by Head of Finance and Property Services to Council Executive on 16 November 2021

Scottish Budget 2022/23 published by Scottish Government on 9 December 2021

Local Government Finance Circular 9/2021 published by Scottish Government on 20 December 2021

COSLA Budget Reality (9 December 2021)

https://www.cosla.gov.uk/data/assets/pdf_file/0022/29443/COSLA-Budget-Reality-Local-Government-Settlement-22-23.pdf

Appendices/Attachments:

Appendix 1 – Letter from COSLA Leaders to First Minister and Cabinet Secretary

Contact Person: Karen Park, Accountant
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Donald Forrest
Head of Finance and Property Services
10 January 2022

Appendix 1 – Letter from COSLA Leaders to First Minister and Cabinet Secretary

24 December 2021



Ms Nicola Sturgeon MSP
First Minister of Scotland

Ms Kate Forbes MSP
Cabinet Secretary for Finance and the Economy

The Scottish Government
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Regent Road
Edinburgh
EH1 3DG

Via email: firstminister@gov.scot; CapSecFE@gov.scot

Dear First Minister and Cabinet Secretary,

As Council Leaders from the 32 Local Authorities in Scotland, we are writing on behalf of the communities we serve, to say that we are deeply concerned at how the Scottish Government has treated Local Government in this year's Scottish Budget.

At a special meeting of Leaders on 21 December, we expressed our extreme disappointment at the Local Government financial settlement for 22/23 that has now been circulated to Councils. Our view is that this settlement, which is a £371m real terms cut in core funding, is unacceptable. Every penny of the cash increase presented on the 9 December (£791m) is for Scottish Government policy priorities and in real terms, erodes our core funding – funding that is essential for the services that underpin our communities and support our shared ambitions including recovery, economic transformation and eradicating child poverty. Put simply, it does not allow us to enable people to 'live well locally'.

We are unanimous in our view that we have been managing challenging budgets for over a decade now but that there is now no room to make further savings, without a detriment to our communities. Additionally, the settlement does not include any funding for pay, inflation or increased demand for services. The impact of this Settlement will be stark for our services and our staff. It will mean that Local Government must reconsider commitments at a local and national level.

We are also clear that the settlement needs to include:

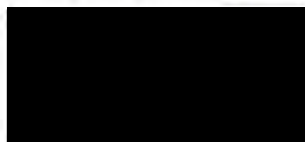
- Funding for the increased burden of National Insurance Contributions at around £70m (which we are aware NHS in Scotland and English Councils have been funded for);
- Funding for the additional costs of the Council Tax Reduction programme and its administration, at around £20m (with this quantum established through partnership working at official level, in good faith);
- Full funding for the expansion of Early Learning and Childcare, which has been cut by £15m for 22/23 (threatening delivery at a local level of this flagship policy).

Yet again, this settlement demonstrates that Scottish Government is not giving Local Government the respect it deserves and is showing complete disregard for Local Government's role as a key partner in achieving better outcomes for the people of Scotland.

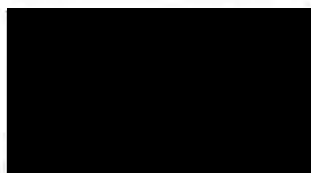
COSLA Leaders believe that the relationship between Local and Scottish Government has been called into question by this Scottish Budget which, for the benefit of our communities, we must work to rectify immediately. We would ask that an urgent meeting is set up with you, First Minister, and the COSLA Leadership Team including Political Group Leaders.

Yours sincerely,

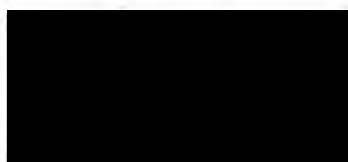
All 32 Local Authority Leaders.



Councillor Jenny Laing
Aberdeen City Council



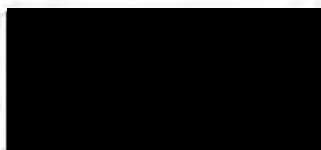
Councillor Andy Kille
Aberdeenshire Council



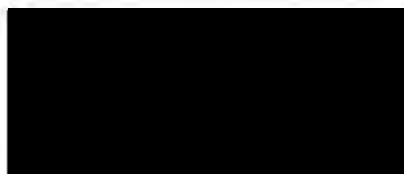
Councillor David Fairweather
Angus Council



Councillor Robin Currie
Argyll and Bute Council



Councillor Adam McVey
City of Edinburgh Council



Councillor Ellen Forson
Clackmannanshire Council



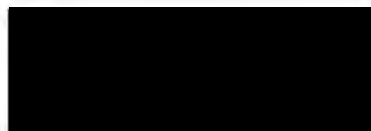
Councillor Roddie Mackay
Comhairle nan Eilean Siar



Councillor Elaine Murray
Dumfries and Galloway Council



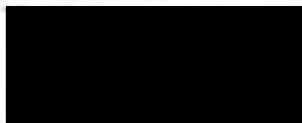
Councillor John Alexander
Dundee City Council



Councillor Douglas Reid
East Ayrshire Council



Councillor Andrew Polson and Councillor Vaughan Moody
East Dunbartonshire Council



Councillor Norman Hampshire
East Lothian Council



Councillor Tony Buchanan
East Renfrewshire Council



Councillor Cecil Meiklejohn
Falkirk Council



Councillor David Ross
Fife Council



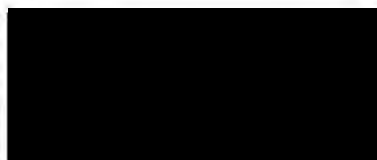
Councillor Susan Aitken
Glasgow City Council



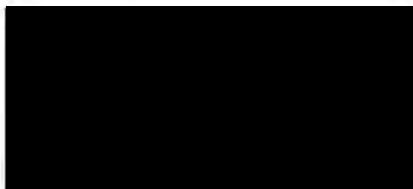
Councillor Margaret Davidson
Highland Council



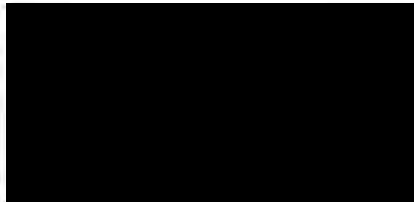
Councillor Stephen McCabe
Inverclyde Council



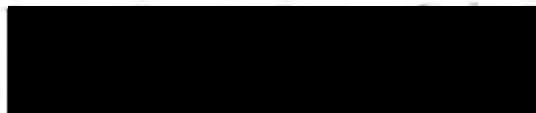
Councillor Derek Milligan
Midlothian Council



Councillor Joe Cullinane
North Ayrshire Council



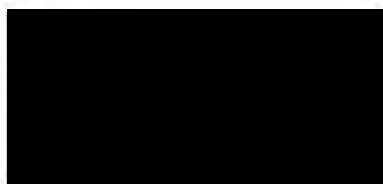
Councillor Jim Logue
North Lanarkshire Council



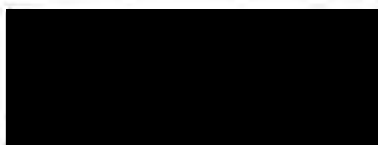
Councillor Graham Leadbitter
Moray Council



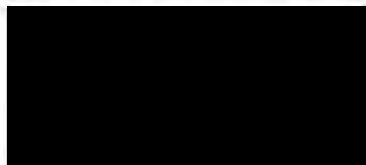
Councillor James Stockan
Orkney Islands Council



Councillor Murray Lyle
Perth and Kinross Council



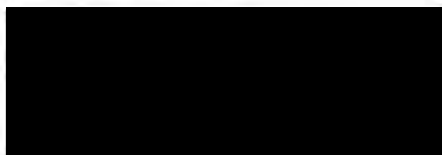
Councillor Iain Nicolson
Renfrewshire Council



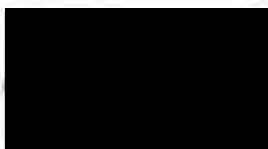
Councillor Mark Rooney
Scottish Borders Council



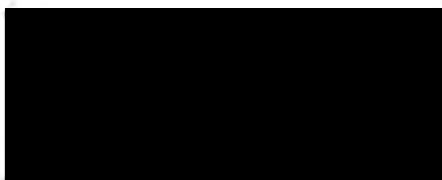
Councillor Peter Henderson
South Ayrshire Council



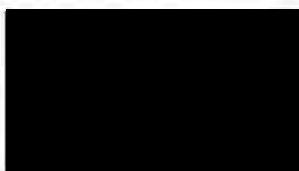
Councillor John Ross
South Lanarkshire Council



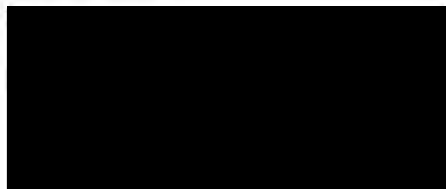
Councillor Steven Coutts
Shetland Islands Council



Councillor Scott Farmer
Stirling Council



Councillor Jonathan McCol
West Dunbartonshire Council



Councillor Lawrence Fitzpatrick
West Lothian Council

