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Copy to: The Leaders of all Scottish local authorities

6 February 2020

Dear Alison

Today the Scottish Government set out proposed Budget, and tax plans and public sector pay policy for 2020-21, and introduced the associated Budget Bill. Further to the announcement the Scottish Government write now to confirm the details of the local government finance settlement.

Details of the indicative allocations to individual local authorities for 2020-21 are also published today in Local Government Finance Circular 1/2020 which begins the statutory consultation period on the settlement.

In coming to the decision to announce the Scottish Budget before the outcome of the UK Budget is known, the Scottish Government listened carefully to the representations COSLA made on behalf of local government of the damaging impact any further delay would have on the delivery of vital public services and also the practical challenges this would pose around the setting and collection of council tax.

The delay to the UK Budget means that we do not know what total Budget funding will be available to Scotland next year, as we do not yet have confirmation of Barnett consequentials that will flow from changes in UK Departmental expenditure or the updated economic and tax forecasts that are needed to finalise the Block Grant Adjustments that impact on over 30% of our Resource DEL budget. For the purposes of this Budget, the Scottish Government has taken an appropriately cautious approach in estimating the likely outcomes of the UK Budget on 11 March for both revenue and capital budgets, noting that the proposed timetable for the Budget Bill is for parliamentary consideration to conclude on 5 March. If the settlement from the UK government is significantly different from the assumptions the Scottish Government have made, we may need to revisit the allocations contained in this letter.

The Budget announced today prioritises our shared objectives of improving wellbeing, supporting inclusive economic growth, responding to the Global Climate Emergency and



tackling child poverty and remains firmly anchored in the jointly agreed National Performance Framework.

The Scottish Government's budget for 2020-21 is bold and ambitious, delivering on our key commitments. Prioritising these commitments has required fresh consideration of all areas of expenditure, as we continue to deal with the effects of UK Government austerity, with Scotland's discretionary resource budget from the UK Government for 2020-21 still set to be considerably lower in real terms than it was in 2010.

The total revenue funding to be provided through the settlement for 2020-21 will be £10,572.8 million, which includes distributable non-domestic rates incomes of £2,790 million.

The Capital settlement has been set at £763.1 million and this includes the continuing expansion of Early Years provision and the addition of a Heat Networks Early Adopters Challenge Fund.

The total funding which the Scottish Government will provide to local government in 2020 -21 through the settlement in funding for core services is therefore £11,336 million, and includes;

- £201 million revenue and £121.1 million capital to support the expansion in funded Early Learning and Childcare (ELC) entitlement to 1,140 hours by 2020;
- In addition to the £160 million available in 2019-20, a further £100 million to be transferred from the health portfolio to the Local Authorities in-year for investment in health and social care and mental health services that are delegated to Integration Authorities under the Public Bodies (Joint Working) (Scotland) Act 2014. This brings the total transferred from the health portfolio to support health and social care integration to £811 million in 2020-21. The additional £100 million for local government includes a contribution to continued delivery of the real Living Wage (£25 million), uprating of free personal and nursing care payments (£2.2 million), implementation of the Carers Act in line with the Financial Memorandum of the Carers Bill (£11.6 million), along with further support for school counselling services whether or not delegated under the Public Bodies (Joint Working) (Scotland) Act 2014 (£4 million);
- Baselineing of the £90 million added at Stage 1 of the Budget Bill for 2019-20;
- The ongoing £88 million to maintain the pupil:teacher ratio nationally and secure places for all probationers who require one under the teacher induction scheme;
- Provision for the Teachers Pay (£156 million) and Pensions (£97 million);
- £5.3 million for Barclay implementation costs; and
- A new capital £50 million Heat Networks Early Adopters Challenge Fund to support local authorities who are ready to bring forward investment-ready heat networks.

As confirmed last week local authorities will continue to have the flexibility for 2020-21 to increase Council Tax by up to a maximum of 3% in real-terms (4.84% cash). This local discretion will preserve the financial accountability of local government, whilst also potentially generating around £135 million to support services.

The revenue allocation delivers a real-terms increase for local government for 2020-21 compared to 2019-20. Taken together with the additional spending power that comes with the flexibility to increase Council Tax (worth around £135 million next year) the total revenue funding would deliver a real-terms increase in the overall resources to support local government services of £435.9 million or 4.3%.

In 2020-21 integration will bring together, under the direction of Integration Authorities, more than £9.4 billion of expenditure previously managed separately by NHS Boards and Local

Authorities for social care, community health care and some hospital services. Integration Authorities must be empowered and supported by their Local Authority and NHS Board partners to use the totality of these resources, including any targeted investment already committed for specific purposes, to better meet the needs of their local populations.

Individual local authorities will, in return for this settlement, be expected to deliver certain specific commitments.

The funding allocated to Integration Authorities should be additional and not substitutional to each Council's 2019-20 recurring budgets for social care services that are delegated. Similarly, the £4 million for school counselling services must be additional. This means that, when taken together, Local Authority social care budgets for allocation to Integration Authorities and funding for school counselling services must be £100 million greater than 2019-20 recurring budgets.

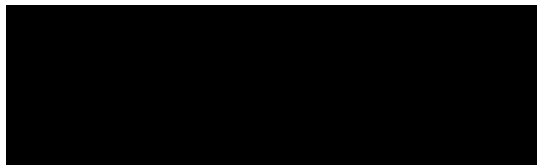
We will also continue to take forward our ambitious programme of educational reform that will deliver an education system led by communities, schools and teachers. The Scottish Government, in partnership with local authorities, will empower schools to make key decisions over areas such as the curriculum, budgets and staffing while continuing to deepen collaboration across the education sector. In recognising that teachers are central to achieving our ambition of delivering excellence and equity in Scottish education we will continue to commit an overall funding package of £88 million 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.

Each local authority area will continue to benefit from Pupil Equity Funding (PEF) which forms part of the overall commitment from the Scottish Government to allocate £750 million through the Attainment Scotland Fund, over the term of the Parliament to tackle the attainment gap. £120 million in Pupil Equity Funding is going directly to headteachers to provide additional support to help close the attainment gap and overcome barriers to learning linked to poverty. PEF is additional to the £62 million Attainment Scotland funding, which is outwith the local government finance settlement. Money from the Attainment Scotland Fund will continue to provide authorities and schools with additional means to provide targeted literacy, numeracy and health and wellbeing support for children and young people in greatest need.

The Heat Networks Early Adopters Challenge Fund will be a competitive fund to provide enabling and financial support to assist the build and installation of exemplar local authority-led heat network projects. The Challenge Fund will offer capital funding up to an intervention rate of 50 per cent and will be available for new and existing heat networks who are able to demonstrate progress towards greenhouse gas emissions reductions and wider socio-economic benefits. There will also be a smaller development funding call within the Challenge Fund to help develop early stage project proposals to become investment-ready in future years. The detailed terms and conditions for the Heat Networks Early Adopters Challenge Fund will be drawn up in consultation with COSLA and we anticipate that it will launch early in the financial year.

The Scottish Government remains committed to a competitive non-domestic rates regime, underlined by the proposals outlined in this Scottish Budget. The poundage in Scotland has been capped below the Consumer Price Index inflationary increase at 49.8 pence, a 1.6 per cent increase. The Scottish Government are also introducing some further support for intermediate sized properties which will ensure around 95 per cent of properties in Scotland now pay a lower poundage than they would in other parts of the United Kingdom. Full details of this and all other reliefs are set out in Local Government Finance Circular 1/2020.

In these unprecedented times with all the uncertainty imposed upon us by the UK Government the Scottish Government believe, taking into account all the circumstances, the allocations set out in this local government finance settlement is the best that could be achieved and continues to provide a fair settlement to enable local authorities to meet our shared priorities of improving wellbeing, supporting inclusive economic growth, responding to the Global Climate Emergency and tackling child poverty.



KATE FORBES