

To: Council

On: 12 February 2015

Report by: Director of Finance & Resources

Heading: Revenue Budget and Council Tax 2015/16 Addendum - Grant Settlement Update

1. SUMMARY

- 1.1. This report is provided as an addendum to Agenda item 1, Revenue Budget and Council Tax 2015/16, and following the issuing of a letter by the Cabinet Minister for Finance, Constitution and Economy on the 5th February 2015 and the subsequent release of finance circular 1/2015, updating the local government finance settlement for 2015/16.
- 1.2. The letter, a copy of which is attached for reference, has in effect withdrawn the previously offered terms of the Local Government finance settlement and introduced new terms, the most significant change of which relates to the introduction of additional conditions associated with the grant offer and increased financial penalties for failing to meet the conditions.
- 1.3. The remainder of this report outlines in detail the specific changes that have been introduced by the Scottish Government and the implications for the Council's 2015/16 budget position as previously outlined in the report detailed at item 1 of the agenda

2. RECOMMENDATIONS

It is recommended that:-

- 2.1 Member note the Scottish Government revised terms of the local government finance settlement offer as detailed in the body of the report.
- 2.2 In considering the setting of the 2015/16 budget, that members recognise the consequential uncertainty now associated with an estimated £1.281 million of the Council's government grant levels in 2015/16 and that an equivalent amount of the indicated cash surplus of £9.646 million is earmarked in reserves as uncommitted pending final clarification of the Council's grant position.

- 2.3 Members note that the Council's share of the indicated additional £10 million of government revenue grant, should this be confirmed in December 2015 would be estimated at £0.310 million.

3. REVISED GRANT SETTLEMENT OFFER

- 3.1 As outlined in the report Revenue Budget and Council Tax 2015/16 at agenda item 1, on the 11th December 2014, the Cabinet Secretary for Finance, Constitution and Economy announced the provisional local government finance settlement and this was reported to the Council on 18th December 2014. The 2015/16 financial settlement confirmed revenue grant available to fund Council services of £297.825 million.
- 3.2 As reported to members, the published provisional grant settlement figures included the Council's share of sums in the Scottish Government's budget with associated grant conditions. A letter was however issued by the Cabinet Secretary on the 5th February 2015 to the President of COSLA, elements of which have subsequently been formally confirmed in a revised local government Finance Circular 1/2015 issued on the 6th February 2015 which confirms the local government finance settlement approved by the Scottish Parliament. This now approved and confirmed local government settlement has significantly altered the terms of the offer made to local government for 2015/16 in terms of the conditionality factors and the associated financial sanctions.
- 3.3 As outlined previously, the requirement to commit to a Council Tax freeze in 2015/16 remains in place with the level of conditional grant associated with this commitment being £2.327 million. As outlined previously, there is a requirement if a Council is not intending to meet this condition, for the Leader of the Council to formally confirm this in writing to the Cabinet Secretary by the 10th March 2015.
- 3.4 The revised grant offer has decoupled, from the Council Tax freeze commitment, the commitment in relation to securing places for all probationers who require one under the teacher induction scheme. This commitment remains in place, and in addition, the following commitments have also been added:
- The maintenance, as a minimum, of the total number of teachers employed by individual local authorities at the 2014-15 level; and
 - The maintenance, as a maximum, of pupil teacher ratio within their authority at the 2014/15 levels

In respect to these teacher number and pupil teacher ratio requirements, the meeting of the commitment would be confirmed in the publication of the annual Pupil Teacher Census statistics published in December 2015.

- 3.5 It is a requirement for local authorities to formally confirm in writing to the Cabinet Secretary, by the 20th February, that they agree to meet the conditions outlined in 3.4. If a Council does not meet this requirement, the Cabinet Secretary has confirmed the intention to remove from the grant settlement figure, the individual councils' share of £41 million of resources included in the grant figures associated with supporting resources for teachers. For Renfrewshire Council, the associated share of this £41 million represents £1.281 million (which is included in the £297.825 million government grant figure for the Council referred to in paragraph 3.1 above).
- 3.6 In addition, if in December 2015, the published annual statistics confirm that the commitment has not been met, the Scottish Government intend to clawback a similar amount from the

grant resources distributed during the course of 2015/16. Conversely, if the published statistics in December confirm that the conditions have been met, the Scottish Government will distribute a share of an additional £10 million. At present there is no detail in respect to how this distribution will be applied. However, if it were distributed on the same basis to the £41 million, Renfrewshire Council share is estimated at £0.310 million.

- 3.7 At present, the Director of Children's Services has confirmed that subject to decisions taken at the Council budget meeting, there is sufficient teaching resources identified in his 2015/16 service budget to meet this commitment. However, the wording detailed in Finance Circular 1/2015 does not at this stage provide formal clarity over how the Scottish Government intend to apply sanctions and whether the position at a national level will have any bearing on how sanctions may or may not apply at individual council level.
- 3.8 In addition, it is not clear at this stage what the response across all local authorities will be to the revised terms of the offer by the 20th February. Some councils have already set their budgets or are imminently preparing to consider their budget for 2015/16. It should be recognised that this late change has introduced an added degree of uncertainty in respect to the level of revenue grant that will be received by the Council in 2015/16 and that the actual position may not become clear until December 2015. In this context in considering the setting of the 2015/16 budget, it is recommended that members recognise the consequential uncertainty now associated with an estimated £1.281 million of the Council's government grant levels in 2015/16 and that an equivalent amount of the indicated cash surplus of £9.646 million is earmarked in reserves as uncommitted pending final clarification of the Council's grant position.

Implications of this Report

Financial – The report provides an update on the Council's 2015/16 government grant offer to compliment the full information provided in the Revenue Budget and Council Tax 2015/16 report at agenda item 1.

HR & Organisational Development - Employee numbers will be subject to any budget proposals agreed.

Community Planning

Children and Young People – implications will be subject to any budget proposals agreed.

Community Care, Health & Well-being - implications will be subject to any budget proposals agreed.

Empowering our Communities - implications will be subject to any budget proposals agreed.

Greener - implications will be subject to any budget proposals agreed.

Jobs and the Economy - implications will be subject to any budget proposals agreed.

Safer and Stronger - implications will be subject to any budget proposals agreed.

Legal - The Council is required to set a balanced budget for 2015/16.

Property/Assets – implications will be subject to any budget proposals agreed.

Information Technology - implications will be subject to any budget proposals agreed.

Equality & Human Rights - in considering the budget proposals, the Council must have due regard to any impact on equalities and human rights and complying with the public sector equality duty.

Health & Safety - implications will be subject to any budget proposals agreed.

Procurement – implications will be subject to any budget proposals agreed.

Risk - As outlined in the report, the revised grant offer from the Scottish Government has introduced an additional degree of uncertainty to an element of the Council's grant settlement and recommendations are provided to members in respect to managing this additional risk.

Privacy Impact - implications will be subject to any budget proposals agreed.

List of Background Papers

(a) Background Papers - none

Author – Alan Russell, Director of Finance & Resources

T: 0300 244 4000
E: dfm@scotland.gsi.gov.uk

Councillor David O'Neill
President
COSLA
Verity House
19 Haymarket Yards
Edinburgh
EH12 5BH



Copy to: The Leaders of all Scottish local authorities

5 February 2015



TEACHER NUMBERS 2015-16

Further to my letter of 9 October 2014 setting out the terms of the local government finance settlement for 2015-16, I write now to confirm the terms of a revised offer and commitment with regard to teacher numbers.

The Scottish Government has been consistent in our commitment to maintain teacher numbers in line with pupil numbers as a central part of our priority to raise attainment and we have provided significant additional funding through the settlement specifically to support that commitment.

As part of this year's budget process we agreed to enter discussions with COSLA on moving towards an outcomes based approach to educational including teacher numbers. However, as a result of the disappointing results of the Pupil and Teacher census published in December, which saw the number of teachers decline last year and the ratio of pupils to teachers rise, the Scottish Government advised COSLA that we had cause to review our approach.

As I was at pains to stress in my statement to Parliament yesterday in the debate on the Budget Bill, we have worked successfully in partnership with local authorities through COSLA and the Government remains fully committed to that partnership.

In recent discussion with COSLA, and in line with our objective to maintain teacher numbers, I have offered to suspend the penalty for 2014-15 that the Government would otherwise have been entitled to apply as a result of the rise in Pupil – Teacher Ratio (PTR) shown in the Pupil Teacher Census published in December 2014. I also offered to provide a further £10 million, the amount requested by COSLA, in 2015-16 on top of the £41 million already included in the settlement allocation to support the employment of teachers.

However, so far, COSLA Leaders have collectively been unable to agree what I consider to be a fair and generous offer of funding support from the Government to maintain teacher numbers.

Given that I was addressing the final stage of the Budget Bill in Parliament yesterday, I therefore had no alternative, in order to protect teacher numbers and deliver the educational standards we want to see, but to make that funding available on a council by council basis to those who are prepared to sign up to a clear commitment to protect teacher numbers.

Specifically, individual local authorities are invited to agree formally for 2015-16 to protect the number of teachers within their authority in order to secure:

- The maintenance as a minimum of the total number of teachers employed by individual local authorities at 2014-15 levels and also the maintenance, as a maximum, of Pupil Teacher Ratio for schools within their authority at the 2014-15 levels, for each individual local authority both as reported in the Pupil and Teacher Census published in December 2014; and
- Places for all probationers who require one under the teacher induction scheme.

In return, provided local authorities sign up to the terms of the offer the £41 million already included in the settlement will continue to be available from the start of the new financial year as planned. Provided the commitment is met, as confirmed in the publication of the annual Pupil Teacher Census statistics in December 2015, the Scottish Government will make available a share of an additional £10 million for 2015-16 to those authorities in recognition of the general budget pressures authorities are facing to help ensure the delivery of the teacher numbers commitment. A failure to deliver will also result in a further clawback in relation to the £41 million funding currently included in the settlement.

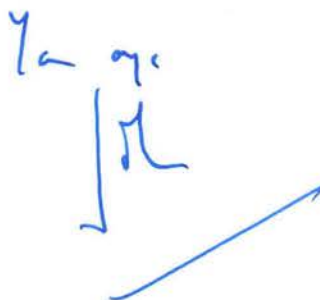
Delivery of this commitment will be monitored and the Scottish Government will gather updated information on teacher numbers at an individual local authority level in March, June and August 2015. This may be subject to review if this information identifies a potential failure to deliver.

However, any council which does not formally make that commitment and demonstrate that it can be achieved will have their share of the £41 million removed from their settlement allocation before the start of the new financial year.

I will require all Council Leaders to write to me confirming that they intend to take up the terms of this revised offer and agree to deliver the revised teachers commitment set out above by no later than 20 February in order to enable appropriate funding to be available.

Looking ahead, work on an educational outcome based approach which we have embarked on jointly to consider a broader range of indicators of improvement, and which would also include teacher numbers as an important contributory factor, will continue over the course of 2015-16 and continue to engage other parties, in particular trade unions, parent bodies and others with an interest in educational outcomes.

All other terms of the local government finance settlement offer for 2015-16, including the commitment to deliver a council tax freeze, as set out in my letter of 9 October 2014 remain unchanged.



JOHN SWINNEY