To: The Leaders of all Scottish local authorities

17 November 2010

Dear Council Leader

THE 2010 SPENDING REVIEW

This letter contains the terms of the agreement, for recommendation to individual councils, reached between the Scottish Government and COSLA’s Leadership on the 2010 spending review.

The agreement is represented by a package of measures. The package has been agreed against the background of the tightest financial circumstances for a generation. Given those circumstances, both sides believe that it is the best that can be achieved.

Focus on outcomes

The agreement is firmly anchored in the ongoing relationship between the Scottish Government and COSLA, based upon mutual respect and partnership. Both sides reaffirm their commitment to that relationship and are clear about the benefits which have flowed from it.

No part of the public sector has escaped without the need to prioritise or to secure efficiencies, given the significant reduction in the overall available resource. We agree that a focus on outcomes, when money is so tight, is the only way to protect what matters to the people of Scotland.

Funding for local government in 2011-12

Overall, the Scottish Government’s total budget in 2011-12 is £33.5 billion, excluding £100 million that is being carried forward from 2010-11 to mitigate the significant reductions in the capital budget. The cash reduction in the Scottish Government’s Departmental Expenditure Limit compared to 2010-11 is £1.3 billion (or 4.5%). In assessing what share of this funding should go to local government, the Scottish Government has taken account of the unique position held by local government in the governance of Scotland and the major
contribution local government makes to all of the Government’s strategic objectives and the successful delivery of national outcomes.

The package of measures negotiated with COSLA’s Leadership and now being put to councils would mean a drop of 2.6% in cash terms in the revenue funding provided to local authorities compared to 2010-11. That compares to an average cut in revenue budgets for all other (non-protected) public services of 6.4%. The reduction in capital funding represents a drop of 17.9% in the capital provided to local government by the Scottish Government compared to 2010-11. By comparison, the overall reduction in the Scottish Government’s total capital budget over the same period will be 23.9%.

The Scottish Government has made clear to the COSLA Leadership that for councils to access the full amount of the financial package, the Government will require each local authority to agree formally to the full list of commitments contained within the package. COSLA’s Leadership has noted this.

The Scottish Government’s position is that it will not be possible for authorities to select elements of the package, including elements of the funding on offer. The Scottish Government is therefore asking each local authority Leader to write to the Scottish Government, by 21 December 2010, to indicate whether or not you agree to the full package on these terms. If you do not, the revenue funding available to your council would be reduced, not by 2.6%, but by 6.4% (which, across the whole of local government, would be worth £426 million in 2011-12).

In each of the past 3 years, the Scottish Government has held back £70 million from the Local Government Finance Order put to Parliament in early February (representing the amount to be made available to councils which freeze their council tax). Parliamentary approval to pay out the remaining amount is then sought in March, once all councils have set their budgets and their council tax rates for the year ahead.

The arrangements now proposed by the Scottish Government for 2011-12 will be similar, except that the amount held back will be greater — at £426 million (including the £70 million associated with the council tax freeze). Once councils have set their budgets and it is clear they have made provision in their budgets to deliver the full package, including the council tax freeze, approval will be sought from Parliament in March 2011 to make available the remaining amount.

For the purposes of this letter, the Scottish Government has assumed that all authorities will endorse the package and receive the full amount of funding associated with it. How that level of funding support (including the amount to be held back) will be distributed to authorities will be the subject of consultation with COSLA under the usual arrangements for discussing distribution and set out in a Scottish Government Circular in early December. This will assist councils in deciding whether to take up the terms of the offer now put to them.

The package

The package of measures agreed is founded on the relationship established between the Scottish Government and COSLA in 2007. The new elements of the package are:

- The total amount of funding to be made available in 2011-12.
- Specific commitments to be delivered from within the funding envelope provided which replace the specific commitments set out in the 2007 Concordat document.
The level of funding

The funding which the Scottish Government will provide to local government in 2011-12 will total £11.548 billion. This total includes the Government’s estimate of non domestic rate income over the period. Within this total, revenue funding will amount to £10.856 billion and capital funding will amount to £0.692 billion.

The £11.548 billion represents 34.5% of the Scottish Government’s total budget for 2011-12. This maintains local government’s share of the Scottish Budget between 2010-11 and 2011-12 (at the point of agreement between the Scottish Government and COSLA’s Leadership on the funding package). The capital settlement also maintains local government’s share of the Scottish Government’s capital budget at the level it was in 2009-10, as agreed last year between the Scottish Government and COSLA, (excluding the carry forward referred to above).

There is some further funding that will also go to local government which is in addition to the figures above. This includes, for example, funding that is provided through European grants which are channelled through the Scottish Government; funding provided in respect of the new school building programme announced in stages during 2009; and funding for a health and social care change fund, the details of which are contained below.

Specified set of commitments

To secure the funding package, individual councils will agree:

- To remain committed to the delivery of the current Single Outcome Agreements, the 3 jointly agreed social strategies and the Curriculum for Excellence.
- To a council tax freeze for 2011-12.
- To police officers being maintained at at least 17,234 throughout 2011-12.
- To maintain the pupil-teacher ratio in P1-P3, the crucial early years of primary school.
- To protect the number of teacher posts as far as possible in order to secure:
  - places for all probationers who require a place under the induction scheme in August 2011;
  - Sufficient teaching posts available for all probationers who achieve Standard for Full Registration in summer 2011 (i.e. successfully complete their probation); and
  - A reduction in the total number of unemployed teachers.
- To an independently chaired review of all aspects of the McCrone Agreement, to report by June 2011 with the clear intention that its recommendations should be available for implementation before August 2012.
- To continue to deliver the shared Scottish Government/COSLA commitments on Free Personal Care, for which payments will be uprated in 2011-12.
- To continue to work with the Scottish Government towards implementation of the Carers and Young Carers Strategy at local level, including the maintenance of an extra 10,000 weeks respite provision.
In return for delivery of these commitments, the Scottish Government:

- Will ensure that the funding to be provided to police forces within the funding settlement will be subject to a loss of resources no greater than that affecting the remainder of the local government family.

- Has included an additional £15 million within the total of £11.548 billion to cover the education costs associated with protecting, as far as possible, the number of teacher posts.

- Has agreed to consider changes through the Scottish Negotiating Committee for Teachers negotiations (or other changes that achieve the same value), on which decisions would be sought by end January 2011 and which would deliver:
  - A pay freeze in 2011/12 and 2012/13 for all employees (teachers and all associated professionals);
  - An increase in contact time for probationers to 0.9 FTE;
  - Agreement that all supply teachers are paid on Point 1 of the Main Grade Scale and only for hours worked;
  - Removal of salary conservation;
  - Agreement that the Teacher leave year is moved to 40 days per annum for the calculation of family leave entitlements; and
  - Freeze entry into the Chartered Teacher Scheme.

- In recognition of the wider pressures on the health and social care system, has allocated £70 million for a new change fund in 2011-12. The fund, which will be held by NHS Boards and so be additional to the local government settlement amount of £11.548 billion, is intended to enable the redesign of services that support shifting the balance of care towards primary and community care. The spending of these resources will be overseen by a partnership governance arrangement on the basis of plans to be agreed locally between NHS Boards, local government and the third/independent sectors. The detailed governance arrangements and guidance for these plans is currently being developed in partnership.

Conclusion

In very challenging circumstances, this proposed settlement for 2011-12 and the package of measures negotiated between the Scottish Government and COSLA's Leadership is the best outcome that can be achieved. It is now for individual councils to determine whether they wish to take up these terms.

Yours faithfully

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For the Scottish Government

Councillor Pat Watters
For COSLA