
Report To:	Policy & Resources Committee	Date:	20 May 2014
Report By:	Acting Corporate Director Environmental Regeneration & Resources	Report No:	2014/P&R/08/AP
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Subject:	2015/2016 Revenue Grant Settlement – Update		

1.0 PURPOSE

- 1.1 The purpose of this report is to update Committee in respect of the 2015/2016 Government Grant Settlement following further debate and decisions at COLSA.

2.0 SUMMARY

- 2.1 When preparing the 2013/2016 Revenue Budget it was assumed that the Council's General Revenue Grant for 2015/2016 would see a reduction of £1.1 million on a like for like basis from the grant received in 2014/2015. This assumption was based on previous years' trends.
- 2.2 In September 2013 COLSA Leaders agreed that the 2015/2016 Revenue Grant Settlement should be on a flat cash basis which meant that Inverclyde Council would be £1.1 million better off than included in the 2013/2016 Revenue Budget.
- 2.3 When agreeing the 2013/2016 Revenue Budget the Council agreed to maintain the prudent assumption that the Council would lose £1.1 million of revenue grant in 2014/2015 but also agreed that in the event that a flat cash settlement was awarded then the extra £1.1 million would be allocated to the Schools Estate Management Programme with a specific remit to provide MUGAs at the 11 remaining primary schools which do not have such a facility.
- 2.4 Subsequent to the approval of the budget, the Scottish Government issued figures showing a comparison between the flat cash settlement and what is referred to as a 'needs based assessment' which is the usual format for calculating grant distribution amongst Scottish local authorities. Surprisingly, this showed that Inverclyde Council would be due to get an increase in grant rather than a reduction in grant in 2015/2016 which is almost entirely related to the Council's better than expected population figures which is a subject of a report elsewhere on the agenda.
- 2.5 The matter was discussed and debated by the COSLA Leaders on 25 April who decided to use the updated needs based indicators as the basis for the 2015/16 settlement.
- 2.6 Whilst the Scottish Government are considering the implications of this COSLA Leaders' decision, it is proposed that the Policy & Resources Committee confirm the decision taken by the Council that as the Council is due to receive at least £1.1 million more than budgeted in 2015/2016, this funding should be allocated to the SEMP.
- 2.7 Given the extremely challenging financial position which the Council faces for the next 3-year budget covering 2015/2018, it is recommended by the CMT that no decision is taken, at this point in time, regarding the use of any other surplus grant that the Council may receive once the Scottish Government confirms the Council's funding for 2015/2016.
- 2.8 Committee is asked to note that this welcome increase in the Council's share of overall Scottish

Revenue Grant should be viewed as a one-off as the Council's trend of reducing population and reducing share of the overall Scottish grant pot will continue from 2016/2017 onwards albeit at a slower rate than previously forecast.

3.0 RECOMMENDATIONS

3.1 It is recommended that the Committee:

- (a) note the contents of this report and that a final decision on the Council's 2015/2016 Revenue Grant is awaited from the Scottish Government
- (b) confirm the decision taken at the February 2014 Inverclyde Council that £1.1 million of the 2015/2016 Revenue Grant be allocated to the Schools Estate Management Plan
- (c) confirm that any decision on potential increased grant in 2015/2016 over and above the £1.1 million is considered as part of the overall 2015/2018 revenue budget.

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Environment, Regeneration & Resources

4.0 BACKGROUND

- 4.1 In February 2013, the Council agreed a three year Revenue Budget based on the figures available from the Scottish Government at that time.
- 4.2 Based on the Scottish Government assumption of a flat cash settlement at a national level, then Inverclyde Council's 2015/16 Revenue Budget was based on a further reduction in Revenue Grant of £1.1million.
- 4.3 In September 2013, COSLA leaders agreed that the 2015/16 Revenue Budget should be distributed on the basis of a flat cash settlement for all 32 Councils, ie. Councils received the same money in 2015/16 as they did in 2014/15. As the Scottish Government were considering the implications of this decision in February 2014 then the Council took the prudent approach of reconfirming the assumption of a £1.1million grant reduction in 2015/16 when setting the 2014/16 Revenue Budget.
- 4.4 In the event that the Grant Settlement for 2015/16 was flat cash, then the Council agreed that £1.1million of one-off Revenue Grant would be allocated to the School Estates Management Programme to be used to provide MUGAs for the eleven remaining primary schools that do not have such a facility.

5.0 CURRENT POSITION

- 5.1 The day after the Council set its Revenue Budget for 2014/16, the Scottish Government issued illustrative figures showing the impact on a Council by Council basis of a flat cash settlement in 2015/16 compared to the "needs based assessment" which is the usual methodology for allocating Revenue Grant.
- 5.2 The needs based assessment was based on the latest available statistics including updated population statistics. Surprisingly, this showed that Inverclyde would in fact be due an increase in Grant in 2015/16 compared to 2014/15. This welcome news runs counter to what the Council's actual experience has been for the last number of years and is almost entirely due to an increase in the Council's population against previous estimates. This is the subject of a report elsewhere on the agenda.
- 5.3 The Government figures have caused a great deal of discussion and some concern amongst local authorities with winners and losers clearly identifiable depending on the 2015/16 option ultimately chosen. From Inverclyde Council's perspective, whilst the flat cash settlement will result in an increase in Revenue Grant of £1.1million compared to 2014/15, the needs based assessment would result in an increase of £2.087million, ie, a further £987,000 compared to the flat cash settlement.
- 5.4 On 25 April 2014, COSLA leaders discussed the September 2013 decision again and it was agreed that the updated needs based indicators be used for the 2015/16 Grant Settlement. COSLA will intimate this decision to the Scottish Government who are expected to take a final view on the 2015/16 General Revenue Grant distribution in the near future.

6.0 PROPOSALS

- 6.1 On the basis that both the flat cash settlement and the needs based assessment settlement provide Inverclyde Council with at least £1.1million more resources in 2015/16 than budgeted for, it is proposed that the Policy & Resources Committee confirm that the £1.1million provisionally allocated to the School Estate Management Plan be confirmed.
- 6.2 Whilst it is very welcome news that the Council's population is not as low as previously thought and that this has resulted in an increase in Revenue Grant in 2015/16, it should be noted that the Council's population is still projected to reduce and as such any increase in Grant must be viewed as one-off. In light of this and the extremely challenging Revenue Budget position the

Council faces when setting the 2015/16 budget, the Corporate Management Team's advice to Members is to defer any decision on utilising any further surplus grant in 2015/16 until it can be considered as part of the overall 2015/18 Revenue Budget.

7.0 IMPLICATIONS

Finance

7.1 Financial Implications: One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report £000	Virement From	Other Comments
Policy & Resources	General Revenue Grant	2015/16	£(1,100)		Increased Grant arising from Flat Cash Settlement
Policy & Resources	General Revenue Grant	2015/16	£(987)		Potential further increase in grant if needs based approach is agreed
EMR	SEMP	2015/17	£1,100		For the provision of 11 MUGAs

Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact £000	Virement From (If Applicable)	Other Comments

Recent events show how closely aligned the Council's Grant Settlement is to levels of population. It needs to be borne in mind, however, that the area's population continues to decline and that significant savings will be required over the next budget period to mitigate the impact of reducing grant, increase in demands and lack of funding from the Government for inflationary pressures.

Legal Implications

7.2 There are no specific Legal implications arising from this report.

HR Implications

7.3 There are no specific HR implications arising from this report.

Equalities

7.4 There are no specific Equality implications arising from this report.

Repopulation

7.5 The matters raised in this report show the crucial importance of the Council's drive to stabilise its population and the impact that population has on the sustainability of Inverclyde as an area.

8.0 CONSULTATION

8.1 This report has been reviewed and approved by the Corporate Management Team.