

2016-17 SETTLEMENT CHANGES

1. EXECUTIVE SUMMARY

- 1.1 This report is to advise Members that there have been updates to both the Revenue and the Capital funding following the Council budget meeting on 11 February 2016.
- 1.2 The change to the revenue funding is in respect of the floor calculation, where an error was identified. This results in Argyll and Bute's funding being reduced by £0.068m.
- 1.3 The change to the capital funding is in respect of a 20% allocation of the flooding capital grant (£0.113m) and additional monies in relation to the Children and Young People Act (£0.542m), a total increase of £0.655m.
- 1.4 Members to note that the Chancellor as part of his budget speech on 16 March 2016, announced that £5m would be provided towards new community facilities for local people in Helensburgh and the Royal Navy personnel nearby at Faslane. At this stage, no detail has been received in respect of this funding.
- 1.5 The recommendations are:
 - Members to note the reduction in revenue funding due to an error in the floor calculation by Scottish Government and note that SMT will take steps to eliminate this variance and this will be reported through routine budget monitoring.
 - Members to note the increase in capital funding and the requirement to use some of this funding to meet the increased costs for the replacement of Dunclutha Children's House as agreed by Council on 21 April 2016. For the remainder of the capital funding, agree that the Asset Management Board bring forward proposals in due course for Member approval.

2016-17 SETTLEMENT CHANGES

2. INTRODUCTION

- 2.1 This report is to advise Members that there have been updates to both the Revenue and Capital funding following the Council budget meeting on 11 February 2016.

3. RECOMMENDATIONS

- 3.1 Members to note the decrease in revenue funding due to an error in the floor calculation by Scottish Government and note that SMT will take steps to eliminate this variance and this will be reported through routine budget monitoring.
- 3.2 Members to note the increase in capital funding and the requirement to use some of this funding to meet the increased costs for the replacement of Dunclutha Children's House as agreed by Council on 21 April 2016. For the remainder of the capital funding, agree that the Asset Management Board bring forward proposals in due course for Member approval.

4. DETAIL**Background**

- 4.1 The Local Government Finance Settlement was published on 16 December 2015 and Council's individual allocations were notified within Finance Circular 7/2015. Changes to this circular were also advised on 24 December 2015 and 13 January 2016 and the Scottish Government issued updated circulars on both these dates.
- 4.2 In addition to the allocations noted within the Circular, the funding in respect of Free School Meals was confirmed on 22 December 2015.
- 4.3 At the time of the Council budget meeting on 11 February, the latest settlement information was used, that was, the figures contained within Scottish Government Finance Circular 7/2015 revised as at 13 January 2016, in addition to the funding confirmed in respect of Free School Meals.

Finance Circular 7/2015 Updated 12 February 2016

- 4.4 The Scottish Government revised Finance Circular 7/2015 on the afternoon of Friday 12 February 2016. There were two changes to the circular of which one affected Argyll and Bute Council and this was in relation to the

floor calculation. It was identified that the floor calculation had been made using data that was inconsistent to that used in the other settlement calculations. The floor calculation was therefore updated to ensure consistency – this was flagged up as an error during the settlement checking process and is not a change in methodology. This change resulted in a reduction to our revenue funding of £0.068m.

Finance Circular 1/2016 published 25 February 2016

- 4.5 The Scottish Parliament approved the Local Government Finance (Scotland) Order 2016 on 25 February 2016 and Finance Circular 1/2016 was published.
- 4.6 There were two updates within the circular in respect of revenue funding, both of which have a nil bottom line effect on our budget for 2016-17:
- Confirmation of the Free School Meals Funding of £0.846m, previously advised and already included within our budget for 2016-17.
 - Allocation of £0.054 funding in respect of Discretionary Housing Payments – this funding will be matched by the creation of an expenditure budget.
- 4.7 In respect of Capital Funding, the capital grant increased in total by £0.655m as follows:
- Allocation of 20% of the flooding capital grant - £0.113m. (It should be noted that there is still £28.452m of Flooding Grant to be allocated.)
 - Additional monies in relation to the Children and Young People Act - £0.542m.

Proposals for dealing with Settlement Changes

- 4.8 In recognition that £0.068m is less than 0.1% of the Council's overall revenue budget, it is proposed that SMT will take steps during the year to eliminate this variance and report through routine budget monitoring.
- 4.9 In respect of the increase in capital funding, there is a requirement to use some of this funding to meet the increased costs for the replacement of Dunclutha Children's House as agreed by Council on 21 April 2016. It is proposed that the remainder of the increase will be considered by the Asset Management Board in the first instance and proposals brought forward in due course for Member approval.

Announcement by Chancellor in Budget Speech

- 4.10 The Chancellor as part of his budget speech on 16 March 2016, announced that £5m would be provided towards new community facilities for local people in Helensburgh and the Royal Navy personnel nearby at Faslane.
- 4.11 Confirmation is still awaited on the detail of this additional funding, when and how it will be paid. Members will be kept up to date once further information is known.

5. CONCLUSION

- 5.1 This report is to advise Members of the changes to both the Revenue and Capital funding following the Council budget meeting on 11 February 2016 and outlines proposals to deal with the changes.

6. IMPLICATIONS

- 6.1 Policy – Council previously agreed that part of the additional capital monies be used towards the increased costs for the replacement of Dunclutha Children’s House. Further utilisation of the additional capital funding will have policy implications and proposals will be brought forward in due course.
- 6.2 Financial - This report outlines changes to the financial settlement.
- 6.3 Legal - None.
- 6.4 HR - None.
- 6.5 Equalities - None.
- 6.6 Risk - None.
- 6.7 Customer Service - None.

Policy Lead for Finance: Councillor Dick Walsh

**Kirsty Flanagan
Head of Strategic Finance
29 April 2016**