

REPORT TO: POLICY AND RESOURCES COMMITTEE - 16 OCTOBER 2000

REPORT ON: SCOTTISH EXECUTIVE SPENDING REVIEW 2001/02 TO 2003/04

REPORT BY: DIRECTOR OF FINANCE

REPORT NO: 662-2000

1 PURPOSE OF REPORT

To appraise members of the recent announcement by the Finance Minister regarding the outcome of the Scottish Executive Spending Review for the period 2001/02 to 2003/04.

2 RECOMMENDATIONS

It is recommended that the Committee notes the content of this report for its information.

3 FINANCIAL IMPLICATIONS

The direct financial implications for the City Council of the Finance Minister's announcement will not become apparent until the Local Government Finance Settlement for each Council is announced in early/mid December 2000. That announcement will be critical in enabling the Council to set its 2001/02 Revenue Budget and Council Tax.

4 LOCAL AGENDA 21 IMPLICATIONS

None.

5 EQUAL OPPORTUNITIES IMPLICATIONS

None.

6 LOCAL GOVERNMENT SPENDING REVIEW 2000

The Spending Review covers the Scottish Executive's spending plans for the period 2001/02 to 2003/04 at an all Scotland level.

The main features of the announcement are as follows:

- Support for Local Government will increase by £1,155 million, a real terms increase of about 10.5% over the 3 year period, 2001/02 to 2003/04.
- Local Government's share of the Scottish Executive investment will be maintained at 37% of the Scottish Executive's Assigned Budget.
- Included within the Local Government Finance Settlement, the support for capital expenditure has increased in real terms by 57% over the 3 year period.

- The total capital investment for each year is as follows:

	<u>£m</u>	<u>% Increase</u>
2000/01	367	N/A
2001/02	470	28.1
2002/03	507	7.8
2003/04	619	22.1

- For 2001/02 the increase in capital equates to £77.5m and this has been targeted at the following programmes:

	<u>£m</u>
Police & Fire	9.0
Transport	29.0
Environment	9.5
Neighbourhood Renewal Fund	<u>30.0</u>
	<u>77.5</u>

Each Council's Capital Allocations for the next 3 financial years will not be announced until January/February 2001 and thereafter the Council would prepare its 3 Year Capital Plan.

- The Revenue support to Scottish Local Authorities has increased in real terms by 7.5% over the 3 year period, 2001/02 to 2003/04.
- The Revenue support for the 3 financial years has been fixed as below:

	<u>£m</u>	<u>% Increase</u>
2000/01	5,714	N/A
2001/02	6,039	5.7
2002/03	6,361	5.3
2003/04	6,617	4.0

- Within the above figures the Scottish Executive have made provision for the predicted effect of inflation on local authority pay and prices.
- The above figures include a significant, but as yet unspecified provision for the implementation of the McCrone Committee's recommendations on Teachers' pay and conditions.
- Each Scottish Executive Minister will be making announcements on the effect of this additional funding on their portfolios over the next month.

7 LOCAL GOVERNMENT FINANCE - 3 YEAR SETTLEMENT

The 2001/02 Financial Settlement will for the first time incorporate 3 year settlement figures for individual councils. Whilst the assumptions and principles underpinning these new arrangements are still being considered by the various Local Government Working Party sub committees, the move to 3 year settlements is welcomed and should add stability to the Council's medium term financial planning process. Individual council announcements are expected to be made in early/mid December 2000.

8 CONCLUSION

It is impossible to predict with any degree of accuracy, the likely effect of the Finance Minister's announcements on the City Council's 2001/02 Revenue Budget and Council Tax. The outcome of the Deprivation Review, the Grant Aided Expenditure calculations and the McCrone Committee recommendations are all major factors which will have a significant impact on the level of grant payable to the City Council in 2001/02 and ultimately the level of Council Tax which will require to be set for that financial year.

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BACKGROUND PAPERS

No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to any material extent in preparing the above report.