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Councillor Derek Milligan  
Leader  
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19 February 2019

Dear Councillor Milligan,

Thank you for your correspondence of 30 January regarding the impact of population growth across the south east of Scotland.

Firstly, I'm sure you will be pleased to note that while the Scottish Government maintains that money for education, social care and early learning and child care are core functions of local government, we have increased funding and flexibility by £187 million for what you perceive as the 'core' local government settlement. Part of the package of measures I announced in Parliament on 31 January included:

- An increase in the core resource local government settlement of £90 million;
- Continuation of the earmarked £160 million from the Scottish Government for health and social care investment to support social care and mental health services – including those under the direction of Integration Authorities. As part of this package, this will allow local authorities the flexibility to offset their adult social care allocations to Integration Authorities in 2019-20 by 2.2 per cent compared to 2018-19, i.e. by up to £50 million across all local authorities to help them manage their own budgets;
- Provide local authorities with the flexibility to increase the Council tax by 3 per cent in real terms, which equates to 4.79 per cent next year; and
- Bring forward a three year funding settlement for local government from 2020-21 budget onwards; and to develop a rules based framework for local government funding in partnership with COSLA that would be introduced for the next Parliament.

Turning now to the local government distribution formula, the current funding formula does recognise and support exceptional growth in population. As I stated in my correspondence dated 14 January, any increase to the population in a local authority area will result in an increase to their formula share of the total funding available.

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Midlothian Council are set to receive the largest increase, in percentage terms, in revenue funding in 2019-20, as a direct result of the increase in population.

The Scottish Government is always open to suggestions to improve the funding formula, including an independent review, however any proposals must come through COSLA in the first instance.

With regard to Health and Social Care Integration, on 4 February 2019 the final report from the Ministerial Strategic Group for Health and Community Care, review of progress with integration, was published. This report draws together a range of proposals ensuring the success of integration including proposals to further embed integrated financial arrangements. Within this, a specific proposal was made that delegated budgets for Integration Joint Boards (IJB) must be agreed timeously. This proposal links to the recently published financial framework for health and social care which sets out an expectation of moving away from annual budget planning processes towards more medium term arrangements, which aligns with the recent announcement that we will bring forward a three year funding settlement for local government from 2020-21 budget onwards. To support this requirement for planning ahead by Integration Authorities, a requirement should be placed upon statutory partners that all delegated budgets should be agreed by the Health Board, Local Authority and IJB by the end of March each year.

Finally, I do not underestimate the financial challenges the public sector are facing due to continued UK Government austerity measures, however the Scottish Government have reversed a real terms reduction to Scotland's resource grant to provide local authorities with a real terms funding increase of 2.8 per cent in 2019-20. Under the most challenging of circumstances the Scottish Government has continued to treat our partners in local government fairly.



DEREK MACKAY

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