

**REPORT TO: SPECIAL POLICY & RESOURCES COMMITTEE - 13 FEBRUARY 2003
SPECIAL FINANCE COMMITTEE - 13 FEBRUARY 2003**

**REPORT ON: REVENUE BUDGET AND COUNCIL TAX 2003/04 AND
INDICATIVE COUNCIL TAX 2004/05 & 2005/06**

REPORT BY: DIRECTOR OF FINANCE

REPORT NO: 122-2003

1 PURPOSE OF REPORT

- 1.1 To advise members of the current position regarding the 2003/04 Revenue Budget and to remind members of those factors requiring decisions in order to set the Final 2003/04 Revenue Budget and Council Tax, together with indicative Council Tax levels for 2004/05 and 2005/06.

2 RECOMMENDATIONS

- 2.1 The Committees are asked to note the procedures for setting the Revenue Budget and Council Tax, as previously agreed by the Policy & Resources and Finance Committees on 13 January 2003 and as set out in Appendix A to this report.
- 2.2 The Committees are asked to note the contents of the Provisional 2003/04 Revenue Budget Volume that was issued to all Committee members on 24 December 2002.
- 2.3 The Committees are asked to approve, for their respective interests, the budget adjustments detailed in Appendix B to this report and reduce the Provisional 2003/04 Revenue Budget by £72,000 to £260.500m.
- 2.4 The Special Finance Committee is asked to note those factors which it requires to consider when setting the final Revenue Budget and Council Tax for 2003/04, as detailed in paragraphs 6.1 to 14.2 of this report.
- 2.5 The Special Finance Committee is asked to note the comments regarding the setting of indicative Council Tax levels for 2004/05 and 2005/06, as set out in paragraph 15.1 of this report.

3 LOCAL AGENDA 21 IMPLICATIONS

None.

4 EQUAL OPPORTUNITIES IMPLICATIONS

None.

5 BACKGROUND

- 5.1 The Policy & Resources and Finance Committees on 13 January 2003 considered Report 62-2003 by the Director of Finance. This report detailed the 3-year Local Government Finance Settlement covering the period 2003-2006 and outlined the implications for Council Tax levels in 2003/04. The report also detailed the proposed procedures to be followed by the various Committees on Council Tax setting day. These procedures were agreed and, for ease of reference, are reproduced at Appendix A to this report.

6 PROVISIONAL 2003/04 REVENUE BUDGET

- 6.1 The Provisional 2003/04 Revenue Budget Volume was issued by the Director of Finance on 24 December 2002. This showed a total Revenue Budget requirement of £260.572m for 2003/04, before any technical budget adjustments or savings (including review of charges) or use of balances had been identified and agreed.
- 6.2 A draft 2003/04 Review of Charges document was also issued by the Director of Finance on 24 December 2002. This was based on Chief Officers' recommendations and shows additional income of £247,000 in 2003/04, representing an overall inflationary increase of around 3%. It is stressed, however, that the final decision on the review of charges, and any other savings, is a matter for the Special Policy & Resources and Finance Committees.

7 TECHNICAL BUDGET ADJUSTMENTS

- 7.1 Since the Provisional 2003/04 Revenue Budget Volume was issued on 24 December 2002, a number of technical budget adjustments have been identified. These adjustments are detailed in Appendix B to this report. The net effect of these technical budget adjustments is to reduce the 2003/04 Revenue Budget by £72,000 to £260.500m.
- 7.2 The technical budget adjustments outlined at items 1 to 4 in Appendix B are necessitated by recent notifications from the Scottish Executive. These four adjustments also have an impact on the Council's 2003/04 AEF figure (see paragraph 12.1).

8 NEW INITIATIVES, TRANSFERS AND OTHER ADJUSTMENTS

- 8.1 The Provisional 2003/04 Revenue Budget Volume includes allowance for the following new initiatives, transfers and other adjustments:

NEW INITIATIVES	<u>£000</u>
Care Home Fees (see para 8.3 below)	679
Mental Health Bill	34
Mental Illness (net of additional Specific Grant)	7
Surestart	142
Childcare Strategy	56
Children's Panel	1
Discipline	269
Waste Management/Disposal of Fridges	97
Concessionary Fares (Age Equalisation)	293
Police (net of additional Specific Grant)	819
Fire	556
Free Personal & Nursing Care	3,997
Qualify of Life	1,524
Money Advice	<u>114</u>
Sub Total	<u>8,588</u>
 OTHER ADJUSTMENTS	
National Insurance Increases	967
Transfer of Public Ombudsman	<u>(18)</u>
Sub Total	<u>949</u>
Grand Total	<u>9,537</u>

These figures reflect the additional amounts which the Scottish Executive have built into the Council's grant settlement for 2003/04. The New Initiatives are shown on page 2 of the

Provisional 2003/04 Revenue Budget Volume, whereas the Other Adjustments have been included within the relevant Departmental Revenue Budget provision within the Volume.

8.2 Members will recall that the Special Policy & Resources Committee, at its meeting on 20 January 2003, approved Report 67-2003 by the Chief Executive. This report detailed the Council's submission to the Scottish Executive in respect of the proposed utilisation of the £1.524m of Quality of Life new monies shown above.

8.3 In addition to the above, the Council has recently been allocated further funding of £1.093m in respect of the proposed implementation of the National Review Group recommendations on Care Home Fees. This is included within the list of technical budget adjustments shown in Appendix B.

9 PAY AWARDS, PRICE INFLATION ETC

9.1 The Provisional 2003/04 Revenue Budget Volume includes allowances for the agreed level of pay awards (including the continuing impact of the McCrone Teachers Pay Settlement) and for specific and general price inflation.

10 GENERAL CONTINGENCY PROVISION

10.1 The Provisional 2003/04 Revenue Budget Volume includes a General Contingency of £200,000. The purpose of this contingency is to provide cover for any unforeseen or emergency expenditure that may occur during the course of the financial year. The Director of Finance is of the opinion that this is the minimum level of General Contingency that the City Council should have in its 2003/04 Revenue Budget.

11 CAPITAL FINANCING COSTS/INTEREST ON REVENUE BALANCES

11.1 The Provisional 2003/04 Revenue Budget Volume includes provision for Capital Financing Costs/Interest on Revenue Balances of £20.425m. This provision is based on a projected average borrowing rate of 6.35%. It is considered that this provision is sufficient for the purposes of finalising the 2003/04 Revenue Budget and Council Tax. The Director of Finance is of the opinion that this provision is at the minimum prudent level and cannot be reduced to a lower level.

12 AGGREGATE EXTERNAL FINANCE (AEF)

12.1 The Council's Aggregate External Finance (AEF) for 2003/04 can be analysed into two distinct elements, being RSG/NDRI and Specific Grants:

	£m
a	Revenue Support Grant (RSG) 156.902
	Non-Domestic Rate Income (NDRI) 51.829
	TOTAL RSG/NDRI 208.731
b	Specific Grants 19.872
	TOTAL AGGREGATE EXTERNAL FINANCE 2003/04 <u>228.603</u>

The above figures incorporate the impact of the technical budget adjustments outlined in Items 1 to 4 in Appendix B (see also paragraph 7.2).

12.2 Estimated income from Specific Grants is already included in the Provisional 2003/04 Revenue Budget Volume (as amended). Accordingly, it is the RSG/NDRI total of £208.731m which requires to be taken into account when setting the 2003/04 Council Tax.

13 GENERAL FUND BALANCES

- 13.1 In calculating the 2003/04 Council Tax it is important to assess the Council's likely General Fund balances at 31 March 2003. It is estimated that the combination of the balances brought forward from 31 March 2002, together with the projected spend in the current financial year ie 2002/03, will result in an uncommitted General Fund balance at 31 March 2003 of approximately £3.5m. This sum has been calculated after taking into account an estimate of the likely outstanding financial commitments at the end of the current financial year ie 31 March 2003.
- 13.2 A decision on the possible use of balances in setting the 2003/04 Council Tax requires to be taken by the Special Finance Committee on 13 February 2003. After taking into account the relevant professional guidance in respect of the establishment and maintenance of local authority reserves and balances, the Director of Finance recommends that the maximum sum that can be taken from General Fund balances when setting the 2003/04 Council Tax is £1.5m.

14 PROVISION FOR NON-COLLECTION OF THE 2003/04 COUNCIL TAX

- 14.1 The Council Tax was introduced in 1993/94 and the current collection figures in respect of the financial years 1993/94 to 2001/2002 inclusive show a collection of over 96%. A provision for the anticipated level of non-collection of the 2003/04 Council Tax requires to be decided by the Special Finance Committee on 13 February 2003. Elected Members will recall a non-collection provision of 3.5% was agreed in setting the Council Tax for 2002/03. Based on the actual collection figures referred to above, it would not be imprudent to use that same level of non-collection provision when setting the 2003/04 Council Tax.
- 14.2 For the purposes of determining the net Council Tax base, the number of Band D equivalent properties is estimated at 47,600 for 2003/04. This figure is before the provision for non-collection has been deducted. The Director of Finance is firmly of the opinion that the allowance for non-collection provision cannot be lower than 3.5%.

15 INDICATIVE COUNCIL TAX LEVELS 2004/05 AND 2005/06

- 15.1 In addition to setting the 2003/04 Revenue Budget and Council Tax, the Special Finance Committee on 13 February 2003 will also be required to agree indicative Council Tax Levels for 2004/05 and 2005/06. These figures, by their very nature, are not binding upon the Council in future years and do not require to be under-pinned by detailed calculations. Rather, they can be regarded as broad targets around which future Council Tax levels will be set. The Council would, however, be required to explain any significant changes to these figures (particularly increases) in future years, to both the local electorate and to Scottish Ministers.

16 CONCLUSION

- 16.1 This report provides members with the background information necessary to assist them in considering the final stages of the 2003/04 Revenue Budget and Council Tax. The report also outlines the arrangements for setting indicative Council Tax levels for 2004/05 and 2005/06.

DAVID K DORWARD
DIRECTOR OF FINANCE

7 FEBRUARY 2003

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.

PROCEDURE FOR COUNCIL TAX SETTING DAY - 13 FEBRUARY 2003

Time

Action

9.30

Special Education Committee meets.

The Special Education Committee will consider the Education Department's Provisional 2003/04 Revenue Budget, along with any technical adjustments and any proposals for savings and review of charges as they affect the Education Department. All savings and review of charges proposals must be tabled at the start of the meeting to enable their legality and competence to be confirmed.

The Special Education Committee will then refer all proposals to the Special Policy & Resources Committee for its consideration.

**Immediately following
Special Education
Committee**

Special Policy & Resources Committee meets.

The Special Policy & Resources Committee will consider the City Council's 2003/04 Revenue Budget, as submitted in the Provisional Revenue Budget volume, along with the Director of Finance's report and all proposals considered at the Special Education Committee of 13 February 2003.

All savings and review of charges proposals must be tabled at the start of the meeting to enable their legality and competence to be confirmed. A short recess will be required to enable this process to take place.

The Special Policy & Resources Committee will resolve that the final decision on savings and review of charges will be remitted to the Special Finance Committee to be considered in conjunction with the Council Tax proposals.

After the Special Policy & Resources Committee ends, there will be a minimum period of 3 hours for all members to consider each set of savings and review of charges proposals.

2.00

Special Finance Committee meets.

All proposals for Council Tax, savings and review of charges must be tabled at the start of the meeting to be checked for legality and competence. A short recess will be required to enable these to be checked.

The Special Finance Committee will reconvene and the Finance Convener will move the Administration's savings, review of charges proposals and Council Tax. Thereafter, the Opposition Groups, Liberal Democrat and Independent Members will move any amendments.

The Committee will then commence the debate and approval of the Final Revenue Budget and Council Tax for 2003/04 and indicative Council Tax levels for 2004/05 and 2005/06.

<u>PROPOSED TECHNICAL ADJUSTMENTS TO PROVISIONAL 2003/04 REVENUE BUDGET</u>	<u>£000</u>
<p>1 <u>New Initiatives – Care Home Fees</u> The Scottish Executive has recently announced that additional funding of £38.224m will be distributed to Councils in 2003/04 to reflect the Executive’s contribution to the proposed implementation of the National Review Group recommendations on care home fees. The City Council’s share of the additional funding is £1.093m and this requires to be added to the New Monies Contingency shown on page 2 of the Provisional 2003/04 Revenue Budget volume. There is a corresponding increase in the Council’s RSG / NDRI figure.</p>	1,093
<p>2 <u>Education – Discipline Taskforce New Monies</u> The Council has recently been notified by the Scottish Executive that the new monies in respect of Discipline are to be allocated as a specific grant through the National Priorities Action Fund, rather than through general grant. The extra funding will now be paid directly to the Education Department and must therefore be reflected as income in the Revenue Budget. There is a corresponding reduction in the Council’s RSG / NDRI figure.</p>	(266)
<p>3 <u>Finance Revenues – Housing Benefit / Council Tax Benefit Administration Grant</u> The Council has recently been notified by the Scottish Executive of a change in the way in which HB/CT Admin grant is to be paid. The majority of the element that is currently paid through general grant will be paid as a specific grant (outwith AEF) by the DWP, with effect from 1 April 2003. This means that the grant will now be paid directly to the Finance Revenues Division and must therefore be reflected as income in the Revenue Budget. There is a corresponding reduction in the Council’s RSG / NDRI figure.</p>	(783)
<p>4 <u>Tayside Joint Police Board – Specific Grant</u> The Council has recently been notified by the Scottish Executive of a minor change to it’s specific grant figure for Police that requires to be reflected in the Revenue Budget. There is a corresponding increase in the Council’s RSG / NDRI figure.</p>	25
<p>5 <u>Finance General – CoSLA Levy</u> The Council has recently been notified by CoSLA that the levy for the financial year 2003/04 will be £86,427. The Provisional 2003/04 Revenue Budget includes an amount of £82,000 for the CoSLA levy. It is therefore necessary to increase the budgetary provision by £4,000.</p>	4
<p>6 <u>Information Technology – Non Domestic Rates</u> Following a redetermination by the Assessor of the rateable value of the property at Gardyne Road, it is possible to reduce the department’s non-domestic rates budget by £6,000.</p>	(6)
<hr style="width: 10%; margin-left: auto; margin-right: 0;"/> Carried Forward	67

APPENDIX B (Contd)

	<u>£000</u>
Brought Forward	67
7 <u>Various Departments – Non-Domestic Rates</u>	36
<p>The Council has recently been notified by the Scottish Executive of the terms of the new Small Business Rate Relief Scheme that will operate from 1 April 2003. The final terms of the scheme are slightly different from the earlier assumptions upon which the budgetary provisions for non-domestic rates were calculated. The net effect is that the Provisional 2003/04 Revenue Budget requires to be increased by £36,000, as detailed below :</p>	
Education	3
Social Work	5
Planning & Transportation	5
Economic Development	13
Leisure & Arts	3
Environmental & Consumer Protection	4
Neighbourhood Resources & Development	1
Finance General	1
Other Housing	<u>1</u>
TOTAL	<u>36</u>
8 <u>Tayside Fire Joint Board</u>	(179)
<p>The Tayside Fire Joint Board, at it's meeting on 27 January 2003, approved the Board's final 2003/04 Revenue Budget. This budget was set at a level below GAE of £343,200, reflecting the provisions included in the Local Government Finance Settlement for the November 2002 Firefighter's pay award. The Council's Provisional 2003/04 Revenue Budget includes provision for a Fire Board budget set at the level of GAE. It is therefore necessary to reduce the budget by £179,000, being the Council's 52% share of the amount below GAE.</p>	
9 <u>Tayside Valuation Joint Board</u>	4
<p>The Tayside Valuation Joint Board, at it's meeting on 27 January 2003, approved the Board's final 2003/04 Revenue Budget. The Council's share of the final budget (£918,486 or 35%) is £4,000 higher than the amount included in the Provisional 2003/04 Revenue Budget.</p>	
GRAND TOTAL	<u>(72)</u>