

**REPORT TO: SPECIAL POLICY & RESOURCES AND
FINANCE COMMITTEES - 14 FEBRUARY 2002**

REPORT ON: REVENUE BUDGET AND COUNCIL TAX 2002/03 AND 2003/04

REPORT BY: DIRECTOR OF FINANCE

REPORT NO: 135 -2002

1 PURPOSE OF REPORT

To advise members of the current position regarding the 2002/03 and 2003/04 Revenue Budget and to remind members of those factors requiring decisions in order to set the final 2002/03 Revenue Budget and Council Tax and the revised indicative 2003/04 Revenue Budget and Council Tax.

2 RECOMMENDATIONS

- 2.1 The Special Policy & Resources and Finance Committees should conjoin and approve the procedure for setting the Revenue Budget and Council Tax as set out in Appendix A.
- 2.2 The Special Policy & Resources and Finance Committees are asked to note the contents of the Provisional Revenue Budget Volume 2002/03 and 2003/04.
- 2.3 The Special Policy & Resources and Finance Committees are asked to approve the adjustments detailed in Appendix B to this report and reduce the 2002/03 Revenue Budget by £2,266,000 to £240.393m and reduce the 2003/04 Revenue Budget by £2,390,000 to £255.604m.
- 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 2002/03 and the revised indicative Revenue Budget and Council Tax for 2003/04 (referred to in paragraphs 8 to 16 of this report).
- 2.5 The Special Finance Committee is asked to note that, under the Council Tax Benefit Subsidy Limitation arrangement, the Council would incur a financial penalty through a reduction in Council Tax Benefit Subsidy if it increases its Council Tax by more than 5% and £50 in 2002/03.

3 LOCAL AGENDA 21 IMPLICATIONS

None

4 EQUAL OPPORTUNITIES IMPLICATIONS

None

5 BACKGROUND

- 5.1 The Policy & Resources Committee on 14 January 2002 considered report 50-2002 by the Director of Finance. This report detailed the revised Local Government Finance Settlement for the financial years 2002/03 and 2003/04 and outlined the implications for Council Tax levels.

6 PROVISIONAL REVENUE BUDGET 2002/03 AND 2003/04

- 6.1 The Provisional Revenue Budget Volume 2002/03 and 2003/04 was issued by the Director of Finance on 24 December 2001. This showed a total Revenue Budget requirement of £242.659m for 2002/03 and £257.994m for 2003/04, before any technical adjustments or savings have been identified and agreed.

7 PROCEDURE FOR COUNCIL TAX SETTING DAY

- 7.1 The proposed procedure for setting the Revenue Budget and Council Tax is detailed in Appendix A.

8 BUDGET AMENDMENTS TO PROVISIONAL BUDGET VOLUME

- 8.1 Since the Provisional Revenue Budget Volume was issued on 24 December 2001, the Chief Executive, Director of Finance and Chief Officers have carried out intensive scrutiny of the 2002/03 and 2003/04 Provisional Revenue Budget and a number of adjustments have been identified. These adjustments are detailed in Appendix B to this report. The net effect is to reduce the 2002/03 Revenue Budget by £2,266,000 to £240.393m and reduce the 2003/04 Revenue Budget by £2,390,000 to £255.604m.

9 NEW INITIATIVES AND TRANSFERS OF RESPONSIBILITIES

- 9.1 The Provisional Revenue Budget Volume includes allowance for the following new initiatives and transfers of responsibility:

	2002/03	2003/04
	£000	£000
Adult Literacy	191	369
Supporting People	139	222
Out-of-School Care	58	58
Rough Sleepers Initiative	240	240
DWP Transfer (Residential Allowances/Preserved Rights)	2,540	2,774
Stop Now Orders	<u>6</u>	<u>6</u>
	<u>3,174</u>	<u>3,669</u>

These figures reflect the additional amount which the Scottish Executive has built into the Council's revised grant settlement for 2002/03 and 2003/04.

10 PAY AWARDS, PRICE INFLATION ETC

- 10.1 The Provisional Revenue Budget Volume includes allowances for the agreed level of pay awards (including the McCrone Teachers Pay Settlement) and for specific and general price inflation.

11 GENERAL CONTINGENCY PROVISION

- 11.1 The Provisional Revenue Budget Volume includes a General Contingency of £200,000 in both 2002/03 and 2003/04. The purpose of this contingency is to provide cover for any unforeseen or emergency expenditure which may occur during the course of the financial year.

12 CAPITAL FINANCING COSTS/INTEREST ON REVENUE BALANCES

- 12.1 The Provisional Revenue Budget Volume includes provisions for Capital Financing Costs/Interest on Revenue Balances of £20.973m for 2002/03 and £22.375m for 2003/04. These provisions are based on a projected average borrowing rate of 6.5%. It is considered that these provisions are sufficient for the purposes of finalising the 2002/03 Revenue Budget and Council Tax and revising the indicative 2003/04 Revenue Budget and Council Tax, and the Director of Finance is firmly of the view that these provisions are at the minimum prudent level and cannot be reduced to a lower level.

13 AGGREGATE EXTERNAL FINANCE (AEF)

- 13.1 As outlined in report 50-2002 to the Policy & Resources Committee on 14 January 2002, the Council's updated AEF figures for 2002/03 and 2003/04 were announced by the Minister for Finance and Public Services in December 2001 as £207.689m and £218.110m respectively.

- 13.2 Since these announcements were made, it has come to light that the settlement figures did not include the amounts set-aside by the Scottish Executive to fund the continuous Professional Development (CPD) element of the McCrone package. (£14m in 2002/03 and £15m in 2003/04). Further, the Council has recently been advised that the Scottish Executive has set-aside a total annual amount of £1.050m to meet the additional costs of the pay award for Music Instructors. Again, this amount was not included in the recently announced settlement figures. The Council has already made allowance in its Provisional Revenue Budget for the additional costs associated with both of these items. Accordingly, it is now necessary to adjust the Council's AEF figures to reflect the Council's estimated share of the amounts which have still to be allocated by the Scottish Executive. The total adjustment required is estimated as £412,000 in 2002/03 and £442,000 in 2003/04.

- 13.3 Taking on board the above adjustment, the Council's AEF figures are restated and analysed as follows:

	2002/03 £m	2003/04 £m
a Revenue Support Grant (RSG)	139.655	n/a
Non-Domestic Rate Income (NDRI)	<u>47.936</u>	<u> </u>
Total RSG/NDRI	187.591	197.668
b Specific Grants	<u>20.510</u>	<u>20.884</u>
Total Aggregate External Finance	<u>208.101</u>	<u>218.552</u>

Income from Specific Grants is already included in the Provisional Revenue Budget Volume. Accordingly, it is the RSG/NDRI totals of £187.591m and £197.668m that require to be included in the calculation of the Council Tax for 2002/03 and 2003/04 respectively.

14 GENERAL FUND BALANCES

- 14.1 In calculating the 2002/03 and 2003/04 Council Tax it is important to assess the Council's likely General Fund balances at 31 March 2002. It is estimated that the combination of the balances brought forward from 31 March 2001, together with the projected spend in the current financial year, will result in a General Fund balance at 31 March 2002 of approximately £1.5m.

A decision on the possible use of balances requires to be taken by the Special Finance Committee on 14 February 2002.

15 PROVISION FOR NON-COLLECTION OF THE 2001/2002 COUNCIL TAX

- 15.1 The Council Tax was introduced in 1993/94 and the current projections are that the final level of non-collection in respect of financial years 1993/94 to 2000/2001 inclusive will be approximately 3.5%. A provision for the anticipated level of non-collection of the 2002/03 and 2003/04 Council Tax requires to be decided by the Special Finance Committee on 14 February 2002. Elected Members will recall a non-collection provision of 3.5% was agreed in setting the Council Tax for 2001/02.

- 15.2 For the purposes of determining the net Council Tax base, the number of Band D equivalent properties is estimated at 47,500 for 2002/03 and 2003/04. This figure is before the provision for non-collection has been deducted.

16 COUNCIL TAX BENEFIT SUBSIDY LIMITATION

- 16.1 The Scottish Executive has continued the mechanism introduced in 1999/2000 to make Scottish local authorities bear a proportion of the Council Tax benefits costs associated with above average Council Tax increases. For 2002/03, the Council Tax Benefits Subsidy Limitation mechanism will apply if a Council Tax level is £50 and 5% above the all-Scotland average. If the mechanism does apply, the Council will have to contribute 50% of the benefit costs associated with that element of spending above the threshold. The Government has made a special provision to ensure that Councils with above average numbers of benefit claimants are not unfairly penalised by the subsidy limitation mechanism. Such Councils will continue to receive full subsidy for the benefit paid to the excess number of claimants above the Scottish average.

- 16.2 It should be noted that the arrangement does not affect payments to the recipients of Council Tax benefit. Individual claimants' benefit entitlement is unaffected.

17 CONCLUSION

- 17.1 The purpose of this report is to provide members with the background information necessary to assist them in considering the final stages of the 2002/03 Revenue Budget process and, ultimately, the determination of the 2002/03 Council Tax. The report also outlines the information necessary to facilitate the setting of a revised indicative Revenue Budget and Council Tax level for the financial year 2003/04.

**DAVID K DORWARD
DIRECTOR OF FINANCE**

NOTE

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.

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7-Feb-02
REPORTS/RB-CTAX

PROCEDURE FOR COUNCIL TAX SETTING DAY - 14 FEBRUARY 2002

<u>Time</u>	<u>Action</u>
9.30	Education Committee meets.
Immediately following Education Committee	<p>The Policy and Resources Committee will consider the City Council's 2002/03 and 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 Education Committee of 14 February 2002.</p> <p>All savings proposals must be tabled at the start of the meeting to enable them to be checked for legality and competence. A short recess will be required to enable this process to take place.</p> <p>The Policy and Resources Committee will resolve that the final decision on savings will be remitted to the Special Finance Committee to be considered in conjunction with the Council Tax proposals.</p> <p>After the Policy & Resources Committee ends, there will be a period of 3 hours for all members to consider each set of savings proposals.</p>
2.00	<p>Special Finance Committee meets.</p> <p>All proposals for Council Tax and savings 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.</p> <p>The Special Finance Committee will reconvene and the Finance Convener will move the Administration's savings proposals, use of balances and Council Tax. Thereafter, the Opposition Groups, Liberal Democrat and Independent Members will move their amendments.</p> <p>The Committee will then commence the debate and approval of the Final Revenue Budget and Council Tax for 2002/03 and indicative Revenue Budget and Council Tax for 2003/04</p>

PROPOSED ADJUSTMENTS TO PROVISIONAL REVENUE BUDGET 2002/03 & 2003/04

		<u>2002/03</u> £000	<u>2003/04</u> £000
1	<p><u>Corporate - National Insurance Contributions (Including Education)</u> The Chancellor of the Exchequer in his Pre Budget statement announced proposals to reduce employers NI contributions with effect from 6 April 2002. The reduction in NI rates is subject to confirmation in the Chancellor's budget in April 2002, but it is thought a reasonable risk to include this saving in the 2002/03 and 2003/04 Revenue Budget.</p>	(458)	(473)
2	<p><u>Corporate - Non Domestic Rates (Including Education)</u> The Minister for Finance and Public Services recently announced that the national rate poundage for Scotland for 2002/03 be set at 47.8p. This represents a year-on-year increase of 0.8p or 1.7% and this is a saving on the level of 3% inflation which was included in the Provisional 2002/03 and 2003/04 Revenue Budget.</p>	(66)	(68)
3	<p><u>Corporate - Allowance for Staff Slippage (Including Education)</u> The Director of Finance carried out a detailed exercise on the allowance each Department had assumed for turnover of staff and any delay in filling posts, ie slippage. It was concluded that a minimum standard allowance of 1½% could be allowed for all Departments and this produced the following reductions in Staff Costs & Budgets.</p>	(305)	(305)
4	<p><u>Corporate - Postages (Including Education)</u> The Director of Finance has reviewed the Council's Budget provision for postages in light of the greater use being made of Email and a saving of £25,000 can be made.</p>	(25)	(25)
5	<p><u>Education - Excellence Fund</u> The Scottish Executive have now advised the Council on the level of Excellence Fund monies which will be allocated for 2002/03 and 2003/04. The consequence of this announcement is that the Education Department's Provisional Revenue Budgets expenditure <u>and</u> income have been overstated by £503,000 <u>and</u> £447,000 for 2002/03 and 2003/04 respectively.</p>	-	-
6	<p><u>Education - Secondary Teachers Review</u> The Director of Education has reviewed the Revenue Budget provision for Secondary School Teaching costs and has confirmed that the current provision exceeds the projected staffing requirements by £150,000. This has arisen as a result of changes in pupil numbers and will be achieved through ongoing turnover of teaching</p>		

staff.

(150)

(150)

	<u>2002/03</u> £000	<u>2003/04</u> £000
7	<u>Education - School Meals Expenditure</u>	
	The Director of Education and Tayside Contracts have reviewed the number of school days assumed in the Revenue Budget for school meals provision and identified that these should be reduced by 5 days to reflect the actual catering days for 2002/03 of 184.	
	(40)	(-)
8	<u>Social Work - Transfer of Staff to SCRC</u>	
	On 1 April 2002, 9 FTE posts from the Social Work Quality Assurance and Inspection and Childrens Services Units will transfer to the new Scottish Commission for Regulation of Care (SCRC). The Provisional Budget currently includes a provision of £169,000 for these staff and this is no longer required.	
	(169)	(169)
9	<u>Social Work - Family Placement</u>	
	The Revenue budget provision for fee payments to foster carers was increased by an inflationary allowance, but the Director of Social Work projects that based on the current number of placements this increase in provision is not required.	
	(59)	(59)
10	<u>Residential Schools</u>	
	The Directors of Social Work and Finance have reviewed the projected level of demand for payments to Residential Schools and estimate that the budget provision can be reduced by £100,000.	
	(100)	(100)
11	<u>Planning & Transportation - Building Quality</u>	
	The Planning Applications fee levels have been increased by the Scottish Executive and the budget provision can be increased by £15,000.	
	(15)	(15)
12	<u>Economic Development</u>	
	The provision for the Christmas Lights is not sufficient to cover the recurring expenditure and must be increased by £26,000 to £114,000.	
	26	26
13	<u>Economic Development - Dundee Airport</u>	
	The Director of Economic Development has concluded negotiations with the ScotAirways and the operations at Dundee Airport will generate an additional £75,000 income.	
	(75)	(75)

	<u>2002/03</u> £000	<u>2003/04</u> £000
14	<u>Economic Development - Property Rental Income</u>	
	The Director of Economic Development has reviewed the level of rental income anticipated from the Council's Commercial Property eg Industrial Units, and anticipates that the Revenue Budget provision can be increased by £73,000.	
	(73)	(73)
15	<u>Economic Development - Property Management & Valuation</u>	
	The Director of Economic Development has reviewed the level of budget provision for repairs and maintenance and energy management, and concluded that a reduction of £61,000 can be made to this provision.	
	(61)	(61)
16	<u>Economic Development - Directorate & Administration</u>	
	The Director of Economic Development has reviewed the level of budget provision for property costs and has concluded that a reduction of £10,000 can be made to this provision.	
	(10)	(10)
17	<u>Environmental and Consumer Protection - Landfill Waste</u>	
	Recent measures introduced within the Transfer Station at Baldovie have been successful in reducing the amount of waste put into Landfill and this is estimated to save the council approximately £195,000 per annum.	
	(195)	(195)
18	<u>Environmental & Consumer Protection - Leasing Costs</u>	
	The Director of Finance has reviewed the provision for leasing costs in the Department's 2002/03 Revenue Budget and identified an overprovision of £21,000.	
	(21)	(21)
19	<u>Environmental & Consumer Protection - Refuse Disposal and Collection</u>	
	The Director of Environmental & Consumer Protection has reviewed the budget provision for trade waste income and the Revenue Budget provision can be increased by £30,000.	
	(30)	(30)
20	<u>Leisure & Arts - Development</u>	
	The Policy & Resources Committee at its meeting on 10 December 2001, agreed to transfer the surplus on the Millennium Fund to Dundee Festival Trust and therefore there is no immediate requirement for the £10,000 budget provision for the Summer Festival.	
	(10)	(10)
21	<u>Chief Executive - Postage & Telephones</u>	
	The Director of Finance has reviewed the budget provision and estimates that a reduction of £2,000 can be made to this provision.	
	(2)	(2)

		<u>2002/03</u> £000	<u>2003/04</u> £000
22	<u>Information Technology</u> The Director of Finance has reviewed the IT Department's Revenue Budget and has identified that the following budget provision which can now be deleted from the 2002/03 and 2003/04 Revenue Budget:		
	Staffing	16,000	
	Computer Supplies	15,000	
	Training	<u>9,000</u>	
		<u>40,000</u>	(40)
23	<u>Support Services</u> The Director of Finance has reviewed this budget provision and estimates that a reduction of £7,000 can be made to the provision for stationery and general supplies and services.	(7)	(7)
24	<u>Finance General - Various Budget Heads</u> The Director of Finance has reviewed his Revenue Budget and has identified that the following budget adjustments can now be made to the 2002/03 and 2003/04 Revenue Budget:-		
	Staffing	49,000	
	Sales Ledger Commission	1,000	
	Furniture/Equipment	5,000	
	Increase in income from Recharge to External Bodies	<u>50,000</u>	
		<u>105,000</u>	(105)
25	<u>Finance General - Members Allowances</u> The current level of Special Responsibility Allowances is lower than in previous years and the total budget can now be reduced by £17,000.	(17)	(17)
26	<u>Finance - Miscellaneous Services</u> The Director of Finance has now confirmed that the contribution to Dundee Port Authority is no longer required.	(6)	(6)
27	<u>Finance Revenues - Statutory Addition Income</u> The Director of Finance has reviewed this Revenue Budget and identified a source of income which has not been included in the Revenue Budget. Part of the 10% Statutory addition which is added to debt when a Summary Warrant is granted is paid over to Sheriff Officers and the balance is real income to the City Council and is estimated to equate to £100,000 per annum.	(100)	(100)

	<u>2002/03</u> £000	<u>2003/04</u> £000
28 <u>Other Housing - Third Party Payments</u> The Director of Housing has reviewed the Third Party payments made from the Other Housing account and estimates a reduction of £50,000 can be made to the budget provision in 2002/03 and 2003/04 for the NCH Action for Children project as a result of the Supporting People legislation.	(50)	(50)
29 <u>Dundee Contract Services - Surpluses</u> The Director of Finance has reviewed the current level of surpluses transferred from Dundee Contract Services to the General Fund and estimates that this can be increased from £365,000 in the Provisional Revenue Budget volume to £565,000 for 2002/03 and 2003/04.	(200)	(200)
30 <u>Tayside Fire Joint Board Requisition</u> The Tayside Fire Joint Board approved the 2002/03 Revenue Budget on 28 January 2002 and this requires an increase of £97,000 in the requisition payable by the City Council. The 2003/04 Provisional Revenue Budget indicates a reduction in the provision required for Dundee City Council of £50,000	97	(50)
TOTAL ADJUSTMENTS	(2,266)	(2,390)