

**REPORT TO: SPECIAL POLICY & RESOURCES COMMITTEE - 19 JANUARY 2004**

**REPORT ON: REVISED LOCAL GOVERNMENT FINANCE SETTLEMENT 2004/05 AND 2005/06 AND REVENUE BUDGET/COUNCIL TAX SETTING PROCEDURE**

**REPORT BY: DEPUTE CHIEF EXECUTIVE (FINANCE)**

**REPORT NO: 56-2004**

## **1 PURPOSE OF REPORT**

- 1.1 This report advises members of the recent announcements made by the Minister for Finance and Public Services in respect of the revised Local Government Finance Settlement for 2004/05 and 2005/06. The report identifies the City Council's revised Aggregate External Finance settlement for these financial years and also outlines the current position on the Revenue Budget for the three year period 2004-2007. The report also sets out the procedure for setting the Revenue Budget and Council Tax for 2004/05 and indicative Council Tax levels for 2005/06 and 2006/07.

## **2 RECOMMENDATIONS**

It is recommended that the Committee:

- 2.1 Notes the Council's revised Aggregate External Finance settlement for 2004/05 and 2005/06, as recently announced by the Minister for Finance and Public Services.
- 2.2 Notes the current position on the Revenue Budget for the three year period 2004-2007.
- 2.3 Agrees the procedures to be followed for setting the 2004-2007 Revenue Budgets and Council Tax levels, as set out in Section 12 and Appendix A of this report.

## **3 FINANCIAL IMPLICATIONS**

- 3.1 The financial information included in this report will be included in the Council Tax proposals to be submitted to the Special Finance Committee on 12 February 2004.

## **4 LOCAL AGENDA 21 IMPLICATIONS**

None

## **5 EQUAL OPPORTUNITIES IMPLICATIONS**

None

## **6 BACKGROUND**

- 6.1 In December 2002, the Scottish Executive announced 3-year Financial Settlement figures covering the period 2003-2006. This was a fundamental aspect of the agenda previously agreed between Scottish Ministers and COSLA elected members for renewing the system of local government finance in Scotland. In return, Councils are required to agree Revenue Budgets and Council Tax levels covering the 3-year period, albeit the figures for years 2 and 3 of the period are to be regarded as "indicative". This implies the need for robust 3-year Revenue Budgets, which had also been identified as a key element of Best Value Regime. Dundee City Council has previously fulfilled the requirement to announce Council Tax levels covering the grant settlement period but these figures have not, to date, been underpinned

by a detailed 3-year Revenue Budget. This latter requirement will now be addressed by the preparation of a Provisional Revenue Budget Volume covering the 3-year period 2004-2007.

- 6.2 The figures announced in December 2002 included the following new monies for the financial years 2004/05 and 2005/06:

	<u>2004/05</u> <u>£000</u>	<u>2005/06</u> <u>£000</u>
Care Home Fees	1,772	1,772
Mental Health Bill	359	373
Mental Illness (before Specific Grant)	24	24
Surestart	542	1,051
Childcare Strategy	286	526
Children's Panel	2	3
Discipline	269	269
Waste Management/Disposal of Fridges	102	64
Concessionary Fares (Age Equalisation)	310	306
Police (before Specific Grant)	3,191	5,217
Fire	1,155	1,831
Free Personal & Nursing Care	4,109	4,277
Quality of Life	1,807	2,098
Money Advice	119	124
Residential Allowances/Preserved Rights	173	232
Older Peoples Services	139	343
Modernising Teaching Profession	2,581	4,038
Youth Work	206	204
Education Disability	222	221
Environment - Access	25	45
Best Value Audit	75	75
National Priorities Action Fund (before Specific Grant)	151	307
Social Work Training (before Specific Grant)	<u>106</u>	<u>106</u>
	<u>17,725</u>	<u>23,506</u>

Many of the above areas were the subject of significant amounts of new monies in the 2003/04 grant settlement figures, which were also announced in December 2002. These new monies were included in the 2003/04 Revenue Budget which was agreed at the Special Finance Committee meeting on 13 February 2003.

## **7 REVISED LOCAL GOVERNMENT FINANCE SETTLEMENT 2004/05 AND 2005/06**

- 7.1 On 17 December 2003, the Minister for Finance and Public Services announced revised Local Government Finance settlement figures for 2004/05 and 2005/06. The revised figures are built largely upon the figures issued in December 2002 but also include further new monies that have been announced during the past year and two significant transfers of responsibility.
- 7.2 Total Estimated Expenditure (TEE) for Scotland has been set at a level of £9,225.9m for 2004/05 and £9,640.7m for 2005/06. TEE is the combined total of Estimated Service Expenditure (£8,250.5m, £8,645.9m), Loan and Leasing Charges including Level Playing Field support (£915.4m, £924.8m) and Quality of Life funding (£60.0m, £70.0m).
- 7.3 The Estimated Service Expenditure (ESE) figures relate to revenue expenditure on all services (at outturn prices) before the deduction of Specific Government Grants. The total of ESE is apportioned between individual Councils using the client group assessment method. The 2004/05 and 2005/06 ESE figures for Dundee City Council have been

announced as £248.469m and £258.790m and the TEE figures as £276.473m and £286.550m.

7.4 The Minister for Finance and Public Services also announced that the total distributable amount of Aggregate External Finance (AEF) for Scotland for 2004/05 and 2005/06 would be set at £7,667.7m and £7,991.7m. AEF is distributed between Councils so as to produce a uniform difference between TEE and AEF per Band D equivalent property across Scotland.

7.5 Within the total AEF figures, Dundee City Council's share has been determined as follows:

	<u>2004/05</u> <u>£m</u>	<u>2005/06</u> <u>£m</u>
Revenue Support Grant (RSG)	162.065	N/A
Non-domestic Rate Income (NDRI)	<u>54.079</u>	<u>N/A</u>
TOTAL RSG/NDRI	216.144	223.216
Specific Grants	<u>21.478</u>	<u>22.658</u>
TOTAL AGGREGATE EXTERNAL FINANCE 2003/04	<u>237.622</u>	<u>245.874</u>
Year-on-Year % Increase in AEF (Unadjusted)	<u>+3.9%</u>	<u>+3.5%</u>

Income from Specific Grants will be included in the Provisional Revenue Budget volume. Accordingly, it is the RSG/NDRI totals that require to be taken into account when setting the actual Council Tax level for 2004/05 and the indicative Council Tax level for 2005/06. The Council is required to prepare a three year Revenue Budget (ie up to and including 2006/07), however AEF figures have been announced up to 2005/06 only. For the purposes of setting the indicative Council Tax level for 2006/07, it would be prudent to assume a 2.5% increase in the RSG/NDRI total figure ie giving an RSG/NDRI total for 2006/07 of £228.796m.

## 8 FURTHER NEW INITIATIVES AND TRANSFERS OF RESPONSIBILITY

8.1 As outlined in paragraph 7.1 above, the revised Local Government Finance Settlement includes further provision for new initiatives that have been announced during the past year. These are detailed as follows:

	<u>2004/05</u> <u>£000</u>	<u>2005/06</u> <u>£000</u>
Nutrition in Schools (before Specific Grant)	683	800
Funding for Teachers Agreement	522	682
Youth Crime	122	204
Free School Meals	78	78
Care Home Fees	1	1
Stop Now Orders	<u>23</u>	<u>23</u>
	<u>1,429</u>	<u>1,788</u>

8.2 The revised settlement figures also reflect two fairly significant transfers of responsibility that have been agreed recently between the Scottish Executive and COSLA. These are:

Teachers Superannuation (t/f from HM Treasury)	2,594	2,723
Housing & Council Tax Benefit Residual Subsidy (t/f to DWP)	(4,056)	(4,254)

Under previous arrangements, responsibility for payment of the employers contribution to the Teachers pension scheme was split between local authorities and HM Treasury. From 1 October 2003, however, local authorities have assumed full responsibility for the payment and a transfer of resources from HM Treasury has been received to offset the additional cost.

From 1 April 2004, the Department of Work and Pensions (DWP) will reimburse local authorities at the rate of 100% for correctly paid benefit claims. Under existing arrangements, the rate of reimbursement is around 95% and local authorities receive grant support (through AEF) for the residual subsidy element (5%). It has therefore been necessary to transfer the residual element out of AEF in order that the DWP can reimburse local authorities at the 100% rate. It is emphasised that this change has no impact on benefit claimants.

- 8.3 The Scottish Executive has also highlighted four areas where further resources are to be allocated for 2004/05 and 2005/06. These are: Fire Pensions, Free Personal & Nursing Care, Residential Allowances and Police Partnerships. Final details will be issued by the Scottish Executive once the exact amounts and distribution methodologies have been agreed.

## **9 PROVISIONAL REVENUE BUDGET 2004-2007**

- 9.1 Over the past nine months the Depute Chief Executive (Finance), in conjunction with the other Chief Officers, has been reviewing and refining the detailed Revenue Budgets for 2004/05, 2005/06 and 2006/07. The outcome of this exercise will be reflected in the 2004-2007 Provisional Revenue Budget volume, which will be issued on 5 February 2004, with the papers for the Special Committee Meetings on 12 February 2004.

## **10 COMMON COUNCIL TAX SETTING DATE**

- 10.1 As has been the practice in recent years, COSLA has agreed a common Council Tax setting date. This has been fixed as 12 February 2004. On that date the Council will be required to set its 2004/05 Revenue Budget and Council Tax and its indicative Revenue Budgets and Council Tax levels for 2005/06 and 2006/07.

## **11 NON-DOMESTIC RATE INCOME**

- 11.1 The Non-Domestic Rate Income (NDRI) collected by Dundee City Council will be paid into an all-Scotland central pool and thereafter distributed to individual Councils on the basis of their resident population. This arrangement has no effect on the total Aggregate External Finance (AEF) which each authority will receive, as the AEF is decided first and any NDRI received from the "pool" effectively reduces the level of Revenue Support Grant payable to each Council. As shown in paragraph 7.5 above, Dundee City Council will receive £54.079m from the Non-Domestic Rates Pool in 2004/05.
- 11.2 The Minister for Finance and Public Services has announced that the national rate poundage for Scotland for 2004/05 has been provisionally set at 48.8p, an increase of 1.0p or 2.1%. The Minister also announced that a supplement of 0.3p will be levied on larger businesses and ratepayers to fund the Small Business Rate Relief Scheme. The Council will make provision for non-domestic rates on its own properties within the 2004-2007 Provisional Revenue Budget.

## **12 PROCEDURE FOR SETTING REVENUE BUDGET AND COUNCIL TAX 2004-2007**

- 12.1 The proposed procedure for the setting of the 2004-2007 Revenue Budget and Council Tax is virtually the same as the procedure adopted for the setting of the 2003/04 Revenue Budget and Council Tax.
- 12.2 The procedure in respect of submitting savings and review of charges amendments to the Chief Executive and Depute Chief Executive (Finance) for prior approval as to their competence will again apply in setting the 2004-2007 Revenue Budgets and Council Tax levels. It must be stressed that, for all Departments including Education, savings and review of charges proposals by any Group or individual member (including co-opted members) must be submitted to the Chief Executive by **5 pm on 4 February 2004** in order for their competence and accuracy to be checked. Proposals received after that deadline will not be considered at the Revenue Budget and Council Tax setting meetings on 12 February 2004.
- 12.3 If there are any further technical adjustments required to the 2004-2007 Provisional Revenue Budget or grant settlement figures then these will be included in the separate report by the Depute Chief Executive (Finance) which will be issued along with the agenda for the meetings on 12 February 2004. The Depute Chief Executive (Finance) will also make recommendations in that report regarding the use of balances in the setting of the Council Tax levels.
- 12.4 A timetable showing the procedure for setting the 2004/2007 Revenue Budgets and Council Tax levels on 12 February 2004 is enclosed at Appendix A.

## **13 CONSULTATION**

- 13.1 The Chief Executive and Depute Chief Executive (Support Services) have been consulted on the content of this report.

## **14 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.

**DAVID K DORWARD**  
**DEPUTE CHIEF EXECUTIVE (FINANCE)**

**12 JANUARY 2004**

**PROCEDURE FOR COUNCIL TAX SETTING DAY - 12 FEBRUARY 2004**

**Time**

**Action**

**9.30**

**Special Education Committee meets.**

The Special Education Committee will consider the Education Department's 2004-2007 Provisional Revenue Budget, along with the Depute Chief Executive (Finance) report 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 and Resources Committee meets.**

The Special Policy and Resources Committee will consider the City Council's 2004-2007 Revenue Budget, as submitted in the Provisional Revenue Budget volume, along with the Depute Chief Executive (Finance) report and all proposals considered at the Special Education Committee.

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 and 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 and 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 and Independent Member will move any amendments.

The Committee will then commence the debate and approval of the Final Revenue Budget and Council Tax for 2004/05 and indicative Revenue Budgets and Council Tax levels for 2005/06 and 2006/07.