

REPORT TO: POLICY & RESOURCES COMMITTEE - 7 DECEMBER 2009

REPORT ON: REVISED LOCAL GOVERNMENT FINANCE SETTLEMENT 2010/2011 AND REVENUE BUDGET/COUNCIL TAX SETTING PROCEDURE

REPORT BY: DIRECTOR OF FINANCE

REPORT NO: 593-2009

1.0 PURPOSE OF REPORT

1.1 This report advises members of the recent announcements made by the Cabinet Secretary for Finance & Sustainable Growth in respect of the revised Local Government Finance Settlement for 2010/11. The report identifies the City Council's Revised Revenue Funding Allocation for 2010/11 and the associated implications. The report also outlines the current position on the Revenue Budget for the three year period 2010-2013 and sets out the procedure for setting the Revenue Budget and Council Tax for 2010/11.

2.0 RECOMMENDATIONS

It is recommended that the Committee:

2.1 Notes the Council's revised Revenue Funding Allocation for 2010/11, as recently announced by the Cabinet Secretary for Finance & Sustainable Growth, and the associated implications.

2.2 Notes the current position on the Revenue Budget for the three year period 2010-2013.

2.3 Agrees that the savings and efficiencies detailed in Appendix A and totalling £0.442m be treated as technical budget adjustments and be included in the 2010-2013 Provisional Revenue Budget volume, which will be issued on 4 February 2010.

2.4 Agrees the procedures to be followed for setting the 2010/11 Revenue Budget and Council Tax level, as set out in Section 10 and Appendix B of this report.

3.0 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 Policy & Resources Committee on 11 February 2010.

4.0 BACKGROUND

4.1 Councils have been preparing 3-Year Revenue Budgets for a number of years now, as part of the Best Value Regime. A budget volume covering the period 2009-2012 was issued by the Director of Finance in May 2009.

4.2 Following the Scottish Government's 2007 Spending Review, grant figures were first announced for the three financial years 2008/09, 2009/10 and 2010/11 in December 2007 and subsequently updated in February 2008. In normal circumstances, the previously announced figures for 2010/11 would have been revised in December 2008 to reflect new monies, transfers of responsibility etc. The Scottish Government, however, held back from revising the 2010/11 figures due to the Chancellor's November 2008 Pre-Budget Report. In response to the prevailing economic crisis, one of the implications of the Pre-Budget Report was an addition of £5 billion to the public sector efficiency savings target for 2010/11. UK Departmental budgets were subsequently reduced in the Chancellor's April 2009 Budget to reflect this increase in the target. HM Treasury have applied a consequential reduction of

£521m in the Scottish Government budget for 2010/2011. In his announcements on the 2010/2011 Draft Scottish Budget on 17 September 2009, the Cabinet Secretary for Finance & Sustainable Growth set out how this budget reduction would be distributed across the various Scottish Government portfolios, including Local Government. The 2010/2011 Draft Scottish Budget showed that Local Government has been allocated a one-third share (£174m) of the £521m reduction. Within Local Government, the reduction of £174m had been split between Revenue funding (£131m) and Capital funding (£43m). The allocation of these reductions against individual Councils was not identified at that stage.

5.0 REVISED LOCAL GOVERNMENT FINANCE SETTLEMENT 2010/2011

5.1 On 26 November 2009, the Cabinet Secretary for Finance & Sustainable Growth announced revised Local Government Finance Settlement figures for 2010/11. The figures are provisional at this stage and subject to consultation, with the Local Government Finance (Scotland) Order due to be debated by the Scottish Parliament in early February 2010.

5.2 The original and revised total figures for all Scotland for 2010/11 are as follows:

	<u>Original</u> <u>2010/11</u> <u>(Feb 2008)</u> <u>£m</u>	<u>Revised</u> <u>2010/11</u> <u>(Nov 2009)</u> <u>£m</u>	<u>Increase /</u> <u>(Decrease)</u> <u>£m</u>
Updated Service Provision	10,534.033	10,534.033	-
Spending Review 2007 Extra Funding	1,082.096	1,152.096	70.000
Further Adjustments After SR2007	-	(154.570)	(154.570)
Loan Charges & PPP Schemes Support Floor	916.725	916.725	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total Estimated Expenditure (TEE)	12,532.854	12,448.284	(84.570)
Assumed Council Tax Contribution	<u>(1,856.600)</u>	<u>(1,856.600)</u>	<u>-</u>
Total Revenue Support	10,676.254	10,591.684	(84.570)
Council Tax Freeze Grant	<u>210.000</u>	<u>70.000</u>	<u>(140.000)</u>
Total	<u>10,886.254</u>	<u>10,661.684</u>	<u>(224.570)</u>

5.3 Within the overall totals above, the original and revised figures for Dundee City Council for 2010/11 are as follows:

	<u>Original</u> <u>2010/11</u> <u>(Feb 2008)</u> <u>£m</u>	<u>Revised</u> <u>2010/11</u> <u>(Nov 2009)</u> <u>£m</u>	<u>Increase /</u> <u>(Decrease)</u> <u>£m</u>
Updated Service Provision	309.641	309.641	-
Spending Review 2007 Extra Funding	31.366	33.128	1.762
Further Adjustments After SR2007	-	(6.049)	(6.049)
Loan Charges & PPP Schemes Support Floor	25.917	25.917	-
	<u>(1.135)</u>	<u>(1.135)</u>	<u>-</u>
Total Estimated Expenditure (TEE)	365.789	361.502	(4.287)
Assumed Council Tax Contribution	<u>(43.650)</u>	<u>(43.650)</u>	<u>-</u>
Total Revenue Support	322.139	317.852	(4.287)
Council Tax Freeze Grant	<u>5.285</u>	<u>1.762</u>	<u>(3.523)</u>
Total Funding	<u>327.424</u>	<u>319.614</u>	<u>(7.810)</u>

Total Funding comprises three elements: General Revenue Funding (GRF), Non-Domestic Rates (NDR) and the remaining elements of Ring-Fenced Funding. Income from Ring-Fenced Funding will be included in the 2010-2013 Provisional Revenue Budget Volume. Accordingly, it is the GRF and NDR figures only that require to be taken into account when setting the Council Tax level for 2010/11. The City Council's GRF/NDR total for 2010/11 is £299.592m, excluding Council Tax Freeze Grant of £1.762m. It is stressed that this latter element can be assumed in the 2010/11 Council Tax calculation only if the Council Tax level is frozen.

- 5.4 The decrease shown above between the original and revised figures for 2010/11 is due to a number of items of new money and a number of funding transfers:

	<u>All</u> <u>Scotland</u> <u>Total</u> <u>£m</u>	<u>DCC</u> <u>Share</u> <u>£m</u>
New Monies - Announced in December 2008		
Sutherland Report	40.000	0.983
Respite Care	2.820	0.089
Tobacco Sales Enforcement	1.500	0.057
Schools Fund	20.000	0.000
Zero Waste Fund	24.350	0.672
Teachers Pensions	18.000	0.521
Other Smaller Items	5.643	0.013
Funding T/fs - Announced in December 2008		
Police ICT Transfer	(30.741)	(1.506)
Business Gateway Transfer	12.158	1.376
SNH Transfer	2.354	0.046
Police Loan Charges Adjustment	(8.119)	(0.054)
Other Smaller Items (net)	(1.604)	(0.104)
New Monies - Announced in November 2009		
Schools PPP / LPFS	41.119	2.119
Funding T/fs - Announced in November 2009		
Police Pensions Transfer *	(190.184)	(6.606)
Fire Pensions Transfer *	(44.138)	(1.930)
Scottish Enterprise Regeneration	8.500	0.257
Other Smaller Items (net)	4.772	0.042
Share of 2009 Budget Consequentials	<u>(131.000)</u>	<u>(3.785)</u>
Total Net Decrease	<u>(224.570)</u>	<u>(7.810)</u>

* Under the new funding arrangements for Police and Fire pension schemes, funding for employers contributions has been removed from the Local Government Financial Settlement and will now be paid as a direct grant to Police and Fire Boards.

The new monies and funding transfers that were announced in December 2008 are already largely reflected in the Council's Provisional 2010/11 Revenue Budget. Adjustments to the Provisional 2010/11 Revenue Budget will now be required for the funding transfers that were announced on 26 November 2009. These adjustments will correspond to the figures shown above and, as such, will have a largely neutral impact on the 2010/11 Council Tax calculation.

- 5.5 The following paragraphs explain the main elements of the provisional grant settlement.

Updated Service Provision reflects the ongoing support for service provision and includes the following: (i) the Grant Aided Expenditure (GAE) assessments which have updated using current distribution indicators (based largely on population) and any transfers of responsibility to or from local government, (ii) the Special Islands Needs Allowance (SINA), (iii) the ongoing revenue grants that were previously ring-fenced but are now rolled-up within the settlement and (iv) Quality of Life funding and Loan Charges/SINA headroom amounts. **Spending Review 2007 Extra Funding** is the total non-ring-fenced uplift in funding arising from the Scottish Government's 2007 Spending Review. **Loan Charges and PPP Schemes Support** is the funding for historic and new capital debt, together with Level Playing Field Support (LPFS) for established PPP projects. Note, however, that support for Councils' new PPP projects has been included within Updated Service Provision.

The **Floor** is a self-financing stability mechanism that ensures that all Councils receive a minimum year-on-year increase in funding. **Total Estimated Expenditure (TEE)** represents the level of Local Government expenditure that the Scottish Government is willing to support through the grant mechanism. The **Assumed Council Tax Contribution** is a deduction made from TEE to reflect the proportion of expenditure that is to be funded by the local taxpayer. **Total Revenue Support** is the total revenue funding available to Councils before any additional funding if Council Tax levels are frozen. **Council Tax Freeze Grant** will be made available to individual Councils only if their Council Tax level is frozen in 2010/11. **Total Funding** is, therefore, the amount of grant available if a Council Tax freeze is delivered.

6.0 IMPLICATIONS OF REVISED LOCAL GOVERNMENT FINANCE SETTLEMENT 2010/2011

- 6.1 Report 515-2009 to the Policy & Resources Committee on 26 October 2009 set out financial implications of the (then) anticipated revised grant settlement for 2010/11. It was stated that savings and efficiencies totalling £5.893m were required to achieve a Council Tax freeze in 2010/11. This was based on the assumption that the Council would suffer a reduction in grant funding of £3.8m as a consequence of the reduction in the Scottish Government Budget following the Chancellor's April 2009 Budget. The actual reduction in the Council's grant funding for 2010/11 has now been announced at £3.785m (see paragraph 5.4 above). This is in line with the previously assumed figure. The projections set out in Report 515-2009 for required savings and efficiencies are still, therefore, substantially robust at this stage in the budget process.

7.0 PROVISIONAL REVENUE BUDGET 2009-2012

- 7.1 As noted in paragraph 4.1 above, a budget volume covering the period 2009-2012 was issued in May 2009. Over the past few months the Chief Executive and Director of Finance, in conjunction with the other Chief Officers, have been reviewing and refining the detailed Revenue Budgets for 2010/11 and 2011/12 and preparing new Revenue Budgets for 2012/13. The outcome of this exercise will be reflected in the 2010-2013 Provisional Revenue Budget volume, which will be issued on 4 February 2010, with the papers for the Special Policy & Resources Committee meeting on 11 February 2010.

8.0 TECHNICAL BUDGET ADJUSTMENTS

- 8.1 During the process of refining the detailed Revenue Budgets for 2010/11 and 2011/12, Chief Officers have identified a number of opportunities for savings and efficiencies. These total £0.442m and are detailed in Appendix A. These savings and efficiencies will not impact on the existing level or quality of services provided and do not require policy decisions to be

taken by the Council. It is therefore proposed that they be included in the 2010-2013 Provisional Revenue Budget volume, which will be issued on 4 February 2010. There will be a corresponding reduction in the level of savings and efficiencies required to achieve a Council Tax freeze in 2010/2011, reducing the figure to around £5.4m.

9.0 NON-DOMESTIC RATE INCOME

9.1 The Non-Domestic Rate income (NDR) 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 Revenue Support (TRS) which each authority will receive, as the TRS is decided first and any NDR income received from the "pool" effectively reduces the level of General Revenue Funding payable to each Council. Dundee City Council will receive £57.010m from the Non-Domestic Rates Pool in 2010/11.

9.2 The Cabinet Secretary for Finance & Sustainable Growth has announced that the national rate poundage for Scotland for 2010/11 has been provisionally set at 40.7p. This represents a reduction of 7.4p or 15.4%, to partly offset the increases in rateable values arising from the 2010 revaluation. The Cabinet Secretary also announced that a supplement of 0.7p will be levied on larger businesses and ratepayers to fund the Small Business Bonus Scheme. The Council will make provision for non-domestic rates on its own properties within the 2010-2013 Provisional Revenue Budget.

10.0 PROCEDURE FOR SETTING REVENUE BUDGET AND COUNCIL TAX 2010/11

10.1 The proposed procedure for the setting of the 2010/11 Revenue Budget and Council Tax is the same as the procedure adopted last year for the setting of the 2009/10 Revenue Budget and Council Tax.

10.2 The procedure in respect of submitting budget proposals and review of charges proposals to the Chief Executive and Director of Finance for prior approval as to their competence will again apply in setting the 2010/11 Revenue Budget and Council Tax level. It must be stressed that, for all Departments, budget proposals and review of charges proposals by any Group or individual member must be submitted to the Chief Executive by 5 pm on 3 February 2010 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 meeting on 11 February 2010.

10.3 If there are any further technical adjustments required to the 2010/11 Provisional Revenue Budget or grant settlement figures then these will be included in the separate report by the Director of Finance which will be issued along with the agenda for the meeting on 11 February 2010. The Director of Finance will also make recommendations in that report regarding the use of balances in the setting of the Council Tax level.

10.4 A timetable showing the procedure for setting the 2011/12 Revenue Budget and Council Tax level on 11 February 2010 is attached at Appendix B.

11.0 POLICY IMPLICATIONS

11.1 This report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management.

There are no major issues.

12.0 **CONSULTATION**

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

13.0 **BACKGROUND PAPERS**

13.1 Scottish Government Finance Circular 12/2009 (26 November 2009)

**MARJORY M STEWART
DIRECTOR OF FINANCE**

02 DECEMBER 2009

SAVINGS & EFFICIENCIES (TECHNICAL BUDGET ADJUSTMENTS)

	<u>£000</u>
<u>Education</u>	
1 Rationalisation of PPP team in EMSS.	<u>32</u>
	<u>32</u>
<u>City Development</u>	
1 Non-filling of two vacant senior posts in Economic Development team.	<u>140</u>
	<u>140</u>
<u>Leisure & Communities</u>	
1 Increased income from Interpretation & Translation Service.	5
2 Delete budget for Olympia boiler lease, now purchased.	<u>38</u>
	<u>43</u>
<u>Chief Executive</u>	
1 Reduction in Secretarial team.	<u>13</u>
	<u>13</u>
<u>Information Technology</u>	
1 Savings due to IP Telephony Migration project.	<u>49</u>
	<u>49</u>
<u>Administration & Legal Services</u>	
1 Savings due to IP Telephony Migration project.	<u>49</u>
	<u>49</u>
<u>Finance General</u>	
1 Savings in stationery due to implementation of electronic payslips.	4
2 Additional treasury management income from Police and Pension Fund.	12
3 Savings from flexible retirement of two staff.	20
4 Additional payroll income in line with new Resourcelink system.	<u>25</u>
	<u>61</u>
<u>Registrars</u>	
1 Additional income from Family History service.	<u>3</u>
	<u>3</u>
<u>Finance Revenues</u>	
1 Savings from joint contract for cash uplift / security.	<u>8</u>
	<u>8</u>
<u>DCS Land Services Client</u>	
1 Increased income from external rents.	<u>21</u>
	<u>21</u>
<u>Supporting People</u>	
1 Re-alignment of Housing Support income budget to reflect actual level of income generated.	<u>23</u>
	<u>23</u>
Total Savings & Efficiencies (Technical Budget Adjustments)	<u>442</u>

PROCEDURE FOR COUNCIL TAX SETTING DAY - 11 FEBRUARY 2010**Date and Time****Action****11 February 2010
3pm****Special Policy and Resources Committee meets.**

The Special Policy and Resources Committee will consider the City Council's 2010-2013 Revenue Budget, as submitted in the Provisional Revenue Budget volume, along with the report by the Director of Finance.

All proposals for Council Tax and review of charges must be tabled at the start of the meeting to be checked for legality and competence. A short recess may be required to enable these to be checked. The senior Councillor with responsibility for Finance will then move the Administration's Council Tax and review of charges proposals. Thereafter, the Opposition Groups 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 2010/11.