

**REPORT TO: POLICY & RESOURCES COMMITTEE - 13 JANUARY 2003
FINANCE COMMITTEE – 13 JANUARY 2003**

**REPORT ON: LOCAL GOVERNMENT FINANCE SETTLEMENT 2003/04, 2004/05 AND
2005/06 AND REVENUE BUDGET/COUNCIL TAX SETTING
PROCEDURE 2003/04**

REPORT BY: DIRECTOR OF FINANCE

REPORT NO: 62-2003

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 Local Government Finance Settlement for 2003/04, 2004/05 and 2005/06. The report identifies the City Council's Aggregate External Finance settlement for those financial years and also outlines the current projected position on the Revenue Budget and Council Tax for 2003/04. The report also sets out the procedure for setting the 2003/04 Revenue Budget and Council Tax.

2 RECOMMENDATIONS

It is recommended that the Committee:

- 2.1 Notes the Council's Aggregate External Finance settlement for 2003/04, 2004/05 and 2005/06, as recently announced by the Minister for Finance and Public Services.
- 2.2 Notes the current projected position on the Revenue Budget and Council Tax for 2003/04.
- 2.3 Agrees the procedures to be followed for setting the 2003/04 Revenue Budget and Council Tax as set out in Paragraph 12 and Appendix A of this report.

3 FINANCIAL IMPLICATIONS

- 3.1 Based on the expenditure figures shown in the Provisional 2003/04 Revenue Budget volume, the 2003/04 grant settlement figure and the draft Review of Charges, the Council is facing a Band D Council Tax increase of £46 (4.3%) in 2003/2004. It must be stressed that this projected increase is **before** any savings have been identified and agreed.

4 LOCAL AGENDA 21 IMPLICATIONS

None

5 EQUAL OPPORTUNITIES IMPLICATIONS

None

6 BACKGROUND

6.1 In December 2000, the Scottish Executive announced 3-year Financial Settlement figures covering the period 2001-2004. This was a fundamental aspect of the agenda agreed between Scottish Ministers and COSLA elected members for renewing the system of local government finance in Scotland. In return, Councils were required to agree Revenue Budgets and Council Tax levels for the same 3-year period, albeit the figures for years 2 and 3 of the period were to be "indicative". The financial year 2003/04 marks the last year of the original 3-year Financial Settlement period. Following the Scottish Executive's 2002 Spending Review, revised grant figures for 2003/04 have recently been announced, together with figures for 2004/05 and 2005/06. Accordingly, the period 2003-2006 now effectively represents a new 3-year Financial Settlement period.

7 LOCAL GOVERNMENT FINANCE SETTLEMENT 2003/04, 2004/05 AND 2005/06

7.1 On 4 December 2002, the Minister for Finance and Public Services announced Local Government Finance settlement figures for 2003/04, 2004/05 and 2005/06.

7.2 Total Estimated Expenditure (TEE) has been set at a level of £8,752.1m for Scotland for 2003/04. TEE is the combined total of Estimated Service Expenditure (ESE) of £7,702.9m, Capital Financing (ie loan and leasing charges including Level Playing Field support) of £913.7m, Housing/Council Tax residual subsidy of £85.5m and Quality of Life funding of £50m.

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 2003/04 ESE figure for Dundee City Council has been announced at £234.769m and the TEE figure as £265.703m.

7.4 The Minister for Finance and Public Services also announced that the total distributable amount of Aggregate External Finance (AEF) for Scotland for 2003/04 would be set at £7,283.902m. 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 figure of £7,283.902m, Dundee City Council's share has been determined as £229.140m. This sum includes the following discrete elements:

| | <u>£m</u> |
|--|-----------------------|
| Revenue Support Grant (RSG) | 156.826 |
| Non-domestic Rate Income (NDRI) | <u>51.829</u> |
| TOTAL RSG/NDRI | 208.655 |
| Specific Grants | <u>20.485</u> |
| TOTAL AGGREGATE EXTERNAL FINANCE 2003/04 | <u><u>229.140</u></u> |

Income from Specific Grants is already included in the Provisional 2003/04 Revenue Budget volume. Accordingly, it is the RSG/NDRI total of £208.655m which requires to be taken into account when setting the 2003/04 Council Tax.

- 7.6 The Council's AEF figures for 2004/05 and 2005/06 have been announced at £238.213m and £246.234m respectively. The figures represent year-on-year increases of 4% and 3.4% respectively.
- 7.7 As part of the recent announcements, it has also been confirmed that the Council Tax Benefit subsidy limitation arrangements have been abolished, with effect from financial year 2003/04. This mechanism was introduced by the Scottish Executive in 1999/2000 to make Councils bear a proportion of the additional Council Tax benefit costs associated with above average Council Tax increases. Despite this concession, Scottish Ministers have intimated that they expect Councils to continue to show restraint in setting Revenue Budgets and Council Tax levels.

8 NEW INITIATIVES, TRANSFERS AND OTHER ADJUSTMENTS

- 8.1 The Local Government Finance settlement includes the following new monies for new initiatives and other adjustments for the financial year 2003/04:

| NEW INITIATIVES | <u>£000</u> |
|---|--------------|
| Care Home Fees | 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 |
| Quality 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> |

- 8.2 The above increases in grant have required to be matched by a corresponding increase in the 2003/04 Revenue Budget. The impact of the additional grant in terms of the Council Tax level is, therefore, neutral. 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 budgets in the Provisional 2003/04 Revenue Budget volume.

9 PROVISIONAL 2003/2004 REVENUE BUDGET

- 9.1 Over the past six months the Director of Finance, in conjunction with the other Chief Officers, has been reviewing and refining the detailed Revenue Budgets for 2003/04. The outcome of this exercise is reflected in the Provisional 2003/04 Revenue Budget volume, which was issued by the Director of Finance on 24 December 2002.
- 9.2 The revised net expenditure total for 2003/04 is shown on page 1 of the Provisional 2003/04 Revenue Budget volume as £260.572m. This figure represents the amount required to continue to provide the current level of service, and also to resource the new initiatives for which the Scottish Executive have provided additional funding (see paragraph 8.1). Provision has been made 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 PROJECTED COUNCIL TAX 2003/2004

- 10.1 Taking the expenditure figures shown in the Provisional 2003/04 Revenue Budget volume, the revised 2003/04 grant settlement figure and the draft Review of Charges, it is then possible to calculate the projected Council Tax level for 2003/04. The projected Band D Council Tax level is £1,125 for 2003/04. This projected figure represents year-on-year increases of £46 or 4.3%. It should be noted, however, that these figures are **before** any budget savings have been identified and agreed.
- 10.2 As has been the practice in recent years, COSLA has agreed a common Council Tax setting date. This has been fixed as 13 February 2003. On that date the Council will be required to set its 2003/04 Revenue Budget and Council Tax and its indicative Council Tax levels for 2004/05 and 2005/06.

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 2003/04 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 £51.829m from the Non-Domestic Rates Pool in 2003/04.
- 11.2 The Minister for Finance and Public Services has announced that the national rate poundage for Scotland for 2003/04 has been frozen at the current level of 47.8p. The Minister also announced that a supplement of 0.6p will be levied on larger businesses and ratepayers to fund a new Small Business Rate Relief Scheme. The Council has made provision for non-domestic rates on its own property within the Provisional 2003/04 Revenue Budget.

12 PROCEDURE FOR SETTING REVENUE BUDGET AND COUNCIL TAX 2003/04

- 12.1 The proposed procedure for the setting of the 2003/04 Revenue Budget and Council Tax is very similar to the procedure adopted for the setting of the 2002/03 Revenue Budget and Council Tax.

- 12.2 This report updates the members on the recently announced Local Government Finance Settlement for the financial years 2003/04 to 2005/06 inclusive. The 2003/04 figure for Aggregate External Finance will be included in the calculation when setting the 2003/04 Council Tax.
- 12.3 The Provisional 2003/04 Revenue Budget volume was issued on 24 December 2002 to all elected members and co-opted members and this will form the basis for setting the Final 2003/04 Revenue Budget and ultimately the 2003/04 Council Tax.
- 12.4 A change to the procedure for this year is that the draft Review of Charges, as prepared by the Chief Officers, was issued to all elected members on 24 December 2002.
- 12.5 The procedure in respect of submitting savings and review of charges amendments to the Chief Executive and Director of Finance for prior approval as to their competence will again apply in setting the 2003/04 Revenue Budget and Council Tax. 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 5 February 2003** 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 13 February 2003.
- 12.6 If there are any further technical adjustments required to the Provisional 2003/04 Revenue Budget then these will be included in a separate report by the Director of Finance which will be issued along with the agenda for the meetings on 13 February 2003.
- 12.7 A timetable showing the procedure for setting the 2003/04 Revenue Budget and Council Tax on 13 February 2003 is enclosed at Appendix A.

13 CONSULTATION

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

**DAVID K DORWARD
DIRECTOR OF FINANCE**

6 JANUARY 2003

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.

DKD/LAB(ID)
060103
DRAFTReports/LGFS.2003-04,2004-05,2005-06

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 the Director of Finance's 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 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 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, 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.

DKD/LAB(ID)

06.01.03

Reports/LGFS.2003-04,2004-05,2005-06