

REPORT TO: POLICY & RESOURCES COMMITTEE - 12 JANUARY 2009

**REPORT ON: REVISED LOCAL GOVERNMENT FINANCE SETTLEMENT 2009/2010 AND
REVENUE BUDGET/COUNCIL TAX SETTING PROCEDURE**

REPORT BY: HEAD OF FINANCE

REPORT NO: 26-2009

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 2009/10. The report identifies the City Council's Revised Revenue Funding Allocation for 2009/10 and also outlines the current position on the Revenue Budget for the three year period 2009-2012. The report also sets out the procedure for setting the Revenue Budget and Council Tax for 2009/10.

2.0 RECOMMENDATIONS

It is recommended that the Committee:

2.1 Notes the Council's revised Revenue Funding Allocation for 2009/10, as recently announced by the Cabinet Secretary for Finance & Sustainable Growth.

2.2 Notes the current position on the Revenue Budget for the three year period 2009-2012.

2.3 Agrees the procedures to be followed for setting the 2009/10 Revenue Budget and Council Tax level, as set out in Section 8 and Appendix A 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 12 February 2009.

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 2008-2011 was issued by the Head of Finance in May 2008.

4.2 Following the Scottish Government's 2007 Spending Review, grant figures were first announced in December 2007 for the three financial years 2008/09, 2009/10 and 2010/11. The figures for 2009/10 have recently been revised.

5.0 REVISED LOCAL GOVERNMENT FINANCE SETTLEMENT 2009/2010

5.1 On 11 December 2008, the Cabinet Secretary for Finance & Sustainable Growth announced revised Local Government Finance Settlement figures for 2009/10. 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 2009. The previously announced figures for 2010/11 would, in normal circumstances, also be revised at this stage. The Scottish Government has, however, held back revising the 2010/11 figures due to the Chancellor's recent Pre-Budget Report. 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 will be reduced in the next budget to reflect this

increase in the target. HM Treasury will apply a consequential reduction in the Scottish Government budget, but the final figures have not yet been confirmed. The Scottish Government has consulted with COSLA and propose to hold back revising grant figures for 2010/11 until after final confirmation has been received from HM Treasury and the implications can be discussed further with partners.

5.2 The original and revised total figures for all Scotland for 2009/10 as follows:

	<u>Original</u> <u>2009/10</u> <u>£m</u>	<u>Revised</u> <u>2009/10</u> <u>£m</u>	<u>Increase</u> <u>£m</u>
Updated Service Provision	10,489.426	10,489.426	-
Spending Review 2007 Extra Funding	843.782	915.174	71.392
Loan Charges & PPP Schemes Support Floor	926.488	925.088	(1.400)
	<u>-</u>	<u>-</u>	<u>-</u>
Total Estimated Expenditure (TEE)	12,259.696	12,329.688	69.992
Assumed Council Tax Contribution	<u>(1,829.700)</u>	<u>(1,829.700)</u>	<u>-</u>
Total Revenue Support	10,429.996	10,499.988	69.992
Council Tax Freeze Grant	<u>70.000</u>	<u>70.000</u>	<u>-</u>
Total	<u>10,499.996</u>	<u>10,569.988</u>	<u>69.992</u>

5.3 Within the overall totals above, the original and revised figures for Dundee City Council for 2009/10 are as follows:

	<u>Original</u> <u>2009/10</u> <u>£m</u>	<u>Revised</u> <u>2009/10</u> <u>£m</u>	<u>Increase</u> <u>£m</u>
Updated Service Provision	308.984	308.984	-
Spending Review 2007 Extra Funding	24.115	25.762	1.647
Loan Charges & PPP Schemes Support Floor	25.803	25.803	-
	<u>(0.848)</u>	<u>(0.848)</u>	<u>-</u>
Total Estimated Expenditure (TEE)	358.054	359.701	1.647
Assumed Council Tax Contribution	<u>(43.373)</u>	<u>(43.373)</u>	<u>-</u>
Total Revenue Support	314.681	316.328	1.647
Council Tax Freeze Grant	<u>1.762</u>	<u>1.762</u>	<u>-</u>
Total Funding	<u>316.443</u>	<u>318.090</u>	<u>1.647</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 2009-2012 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 2009/10. The City Council's GRF/NDR total for 2009/10 is £287.378m, excluding Council Tax Freeze Grant of £1.762m. It is stressed that this latter element can be assumed in the 2009/10 Council Tax calculation only if the Council Tax level is frozen.

- 5.4 The increase shown above between the original and revised figures for 2009/10 is due to a number of items of new money and a number of funding transfers:

	<u>All Scotland Total £m</u>	<u>DCC Share £m</u>
New Monies		
Sutherland Report	40.000	0.983
Respite Care	1.370	0.044
Fire Pensions (incl Commutations)*	11.145	0.282
Tobacco Sales Enforcement	1.500	0.057
Teachers Pensions	18.000	0.521
Other Smaller Items	2.403	0.056
Funding Transfers		
Police ICT Transfer	(29.929)	(1.466)
Business Gateway Transfer	12.158	1.376
SNH Transfer	2.360	0.055
Police Loan Charges Adjustment	(7.515)	(0.217)
Other Smaller Items (net)	<u>18.500</u>	<u>(0.044)</u>
 Total Net Increase	 <u>69.992</u>	 <u>1.647</u>

* The Scottish Government has set aside £31.1m to deal with Police pension pressures in 2009/10, however this has been top-sliced from the revised settlement and will be paid directly to Police Boards.

It should be noted that, in respect of the above items, corresponding adjustments will be required to the City Council's Provisional 2009/10 Revenue Budget. Accordingly, these items will have a largely neutral impact on the 2009/10 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 2009/10.

Total Funding is, therefore, the amount of grant available if a Council Tax freeze is delivered.

6.0 PROVISIONAL REVENUE BUDGET 2009-2012

6.1 As noted in paragraph 41 above, a budget volume covering the period 2008-2011 was issued in May 2008. Over the past eight months the Depute Chief Executive (Finance) and Head of Finance, in conjunction with the other Chief Officers, have been reviewing and refining the detailed Revenue Budgets for 2009/10 and 2010/11 and preparing new Revenue Budgets for 2011/12. The outcome of this exercise will be reflected in the 2009-2012 Provisional Revenue Budget volume, which will be issued on 5 February 2009, with the papers for the Special Policy & Resources Committee meeting on 12 February 2009.

7.0 NON-DOMESTIC RATE INCOME

7.1 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 £58.778m from the Non-Domestic Rates Pool in 2009/10.

7.2 The Cabinet Secretary for Finance & Sustainable Growth has announced that the national rate poundage for Scotland for 2009/10 has been provisionally set at 48.1p. This represents an increase of 2.3p or 5%. A supplement of 0.4p 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 2009-2012 Provisional Revenue Budget.

8.0 PROCEDURE FOR SETTING REVENUE BUDGET AND COUNCIL TAX 2009/10

8.1 The proposed procedure for the setting of the 2009/10 Revenue Budget and Council Tax is the same as the procedure adopted last year for the setting of the 2008/09 Revenue Budget and Council Tax.

8.2 The procedure in respect of submitting budget proposals and review of charges proposals to the Chief Executive and Head of Finance for prior approval as to their competence will again apply in setting the 2009/10 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 4 February 2009 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 12 February 2009.

8.3 If there are any further technical adjustments required to the 2009/10 Provisional Revenue Budget or grant settlement figures then these will be included in the separate report by the Head of Finance which will be issued along with the agenda for the meeting on 12 February 2009. The Head of Finance will also make recommendations in that report regarding the use of balances in the setting of the Council Tax level.

8.4 A timetable showing the procedure for setting the 2009/10 Revenue Budget and Council Tax level on 12 February 2009 is enclosed at Appendix A.

9.0 POLICY IMPLICATIONS

9.1 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.

10.0 CONSULTATION

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

11.0 BACKGROUND PAPERS

11.1 Scottish Government Finance Circular 5/2008 (11 December 2008)

**MARJORY M STEWART
HEAD OF FINANCE**

06 JANUARY 2009

PROCEDURE FOR COUNCIL TAX SETTING DAY - 12 FEBRUARY 2009

Date and Time

Action

**12 February 2009
3pm**

Special Policy and Resources Committee meets.

The Special Policy and Resources Committee will consider the City Council's 2009-2012 Revenue Budget, as submitted in the Provisional Revenue Budget volume, along with the report by the Head 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 2009/10.