

REPORT TO: POLICY & RESOURCES COMMITTEE – 14 JANUARY 2013

REPORT ON: REVISED LOCAL GOVERNMENT FINANCE SETTLEMENT 2013/2014 & 2014/2015, FINANCIAL IMPLICATIONS FOR THE CITY COUNCIL AND REVENUE BUDGET / COUNCIL TAX AND CAPITAL PLAN SETTING PROCEDURE

REPORT BY: DIRECTOR OF CORPORATE SERVICES

REPORT NO: 490-2012

1.0 PURPOSE OF REPORT

1.1 This report advises elected members of the announcement made by the Cabinet Secretary for Finance, Employment & Sustainable Growth on 27 November 2012 in respect of the revised Local Government Finance Settlement for 2013/2014 and 2014/2015. The report identifies the likely implications for the City Council and sets out the current position on the Council's Provisional 2013/2014 Revenue Budget. The report also sets out the procedure for setting the Revenue Budget and Council Tax for 2013/2014 and for agreeing the 2013-2017 Capital Plan.

2.0 RECOMMENDATIONS

It is recommended that the Policy & Resources Committee:

2.1 Notes the contents of this report.

2.2 Notes the Council's revised Revenue and Capital Funding Allocations for 2013/2014 and 2014/2015, as announced by the Cabinet Secretary for Finance, Employment & Sustainable Growth on 27 November 2012, and the associated implications.

2.3 Notes the terms of the settlement to be provided to Local Government, as previously advised by the Cabinet Secretary for Finance, Employment and Sustainable Growth in a letter to COSLA dated 20 September 2012 (and as detailed in Section 4 of this report).

2.4 Notes the current position on the Council's Provisional 2013/2014 Revenue Budget.

2.5 Notes that the financial information included in this report will be updated as necessary and included in the Council Tax proposals to be submitted to the Special Policy & Resources Committee on 14 February 2013.

2.6 Agrees the procedures to be followed for setting the 2013/2014 Revenue Budget and Council Tax level, as set out in Section 8 and Appendix 2 of this report.

2.7 Agrees that the procedures for agreeing the Council's 2013-2017 Capital Plan should be the same as those for setting the 2013/2014 Revenue Budget and Council Tax, as set out in Section 8 and Appendix 2 of this report.

3.0 FINANCIAL IMPLICATIONS

3.1 The Council requires to identify budget savings totalling £6.5 million in order to achieve a Council Tax freeze in 2013/2014. In addition, savings totalling £2.8 million have already been reflected in the Provisional 2013/2014 Revenue Budget.

3.2 In the event that the Council does not agree to the full package of measures related to the Local Government Finance Settlement then the loss of grant would be circa £2.8 million.

4.0 REVISED LOCAL GOVERNMENT FINANCE SETTLEMENT 2013/2014 & 2014/2015

4.1 Grant figures for the three year period 2012-2015 were first announced in December 2011 and subsequently updated in February 2012 and March 2012. These figures showed a revenue grant stand-still cash position in total across the three year settlement period, which was also the position for the City Council. On 27 November 2012, an announcement was made in the Scottish Parliament by the Cabinet Secretary for Finance, Employment & Sustainable Growth in respect of the revised Local Government Finance Settlement for 2013/2014 and 2014/2015. These figures have subsequently been confirmed in Local Government Finance Circular 5/2012, issued by the Scottish Government on 27 November 2012. The figures are provisional at this stage and are subject to consultation between the Scottish Government and COSLA, with the Local Government Finance (Scotland) Order due to be debated by the Scottish Parliament in early February 2013.

4.2 The revised revenue grant total figures for all Scotland for 2013/2014 and 2014/2015 are as follows:

	<u>2013/2014</u> <u>£m</u>	<u>2014/2015</u> <u>£m</u>
Updated Service Provision	10,787.019	10,858.204
2008-2013 Changes	824.363	808.757
Police Specific Grant Removed *	(489.304)	(489.304)
Loan Charges & PPP Schemes Support	746.457	705.228
Main Floor	-	-
Total Estimated Expenditure (TEE)	11,868.535	11,882.885
Assumed Council Tax Contribution	(1,906.100)	(1,920.600)
New 85% Floor	25.000	25.000
General Revenue Changes 2013-2015 *	(715.104)	(729.453)
Total Distributable Revenue Support	<u>9,272.331</u>	<u>9,257.832</u>
Figure Previously Notified	<u>10,476.739</u>	<u>10,476.589</u>
Reduction from Figure Previously Notified *	<u>(1,204.408)</u>	<u>(1,218.757)</u>

The revised figures show significant reductions from the figures previously notified in February 2012. This is mainly due to the removal of funding for Police and Fire services, with the impending change to national arrangements on 1 April 2013. Also, the Scottish Government has provided additional funding of £18.4m in 2013/2014 as a contribution to the estimated £40m shortfall in funding for Council Tax Benefit once this responsibility transfers from DWP on 1 April 2013. Further, some small amounts of new money have been made available to offset additional cost burdens falling on Local Government. A full reconciliation of the net reduction is shown below.

	<u>2013/2014</u> <u>£m</u>	<u>2014/2015</u> <u>£m</u>
Police - Specific Grant Removed	(489.304)	(489.304)
Police – Other Funding Removed	(468.950)	(468.150)
Fire – Funding Removed	(276.774)	(275.023)
Council Tax Benefit	18.400	tba
Blue Badge	0.720	0.720
Looked After Children	1.500	1.500
Free Personal & Nursing Care	3.000	4.500
Family Support	3.000	3.000
Police & Fire On-Going Costs	<u>4.000</u>	<u>4.000</u>
Net Reduction from Figure Previously Notified	<u>(1,204.408)</u>	<u>(1,218.757)</u>

4.3 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, (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, (iv) the baselined redeterminations since the 2007 Spending Review and (v) the Council Tax freeze grant. **2008-2013 Changes** are the total non-ring-fenced changes in funding arising from the Scottish Government's 2007 and 2010 and 2011 Spending Reviews. **Police Specific Grant Removed** is the 51% specific government grant which is now being removed from the Local Government Finance Settlement in light of the move to a single national Police service on 1 April 2013. **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 is included within Updated Service Provision.

The **Main Floor** is the established self-financing stability mechanism that ensures that all Councils receive a maximum year-on-year decrease in funding (set at 1.4% for both 2013/2014 and 2014/2015). **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. The **New 85% Floor** represents the Scottish Government's commitment to ensure that no Council receives less than 85% of the Scottish average in terms of revenue support. **General Revenue Changes 2013-2015** are the changes to the funding figures previously notified in February 2012. **Total Distributable Revenue Support** is the total revenue funding available to Councils.

4.4 The Cabinet Secretary for Finance, Employment and Sustainable Growth wrote to COSLA on 20 September 2012 setting out the terms of the settlement to be provided to local government in return for the provisional funding allocations now set out in Circular 5/2012. Under the terms of the settlement all Councils will be required to continue to work in partnership with the Scottish Government in pursuit of Joint Priorities, including delivery of the Government's programme as set out in the First Minister's statement to Parliament on 4 September 2012 and the *Government Economic Strategy*. In addition, Councils will be required to deliver the following specific commitments in return for the settlement:

- maintain a Council Tax freeze
- maintain teacher numbers in line with pupil numbers and secure places for all probationers who require one under the teacher induction scheme

The 2013/2014 provisional allocations set out in the Circular assume that all Councils will sign up to the package and therefore that the **full** amount (£9,272 million) will be issued.

The allocations have been arrived at using the standard agreed distribution methodology. As in previous years, the Circular shows, for illustrative purposes, the amount of Council Tax Freeze Grant which the Scottish Government plans to hold back under the terms of the Cabinet Secretary for Finance, Employment and Sustainable Growth's letter of 20 September 2012 to COSLA. If any Council does not agree to the full package available then it will have its allocation reduced by its needs based share of a package of resources worth in total £109 million across the whole of local government. This package of resources to be removed is made up of each Council's needs based share of:

- £70 million to deliver a Council Tax freeze
- £39 million for the teacher commitments

In a departure from the two stage sign-off arrangements agreed for previous settlements, for 2013/2014 only, those Council Leaders who do not intend to take up the offer and agree the full package of measures set out in the 20 September 2012 letter are required to write to the Cabinet Secretary for Finance, Employment and Sustainable Growth setting out the reasons why they do not wish to comply. This is to be done by no later than 11 March 2013, but preferably by the end of February 2013 (and ideally as soon as possible after they have set their budgets and announced their Council Tax levels for 2013/2014). If any Council Leader replies to say that their Council does not so agree, the full amount of the Council's needs based share of the £109 million sanction will be withdrawn from the overall Local Government Finance Settlement and redeployed by Scottish Ministers in the Budget Bill which will be laid before Parliament in January 2013. The City Council's estimated share of the £109 million package of resources is £2.8m in 2013/2014.

4.5 In terms of capital funding, the total support within the settlement from the Scottish Government has been reduced due to the removal of support for Police and Fire services, with the impending change to national arrangements on 1 April 2013. The totals previously notified for 2013/2014 and 2014/2015 have been reduced by £29.879m and £43.879m respectively. The revised totals in the settlement are £507.321m for 2013/2014 and £743.221m for 2014/2015.

5.0 REVISED FIGURES FOR DUNDEE CITY COUNCIL

5.1 Within the overall totals shown in paragraph 4.2 above, the revised revenue grant figures for Dundee City Council are as follows:

	<u>2013/2014</u> <u>£m</u>	<u>2014/2015</u> <u>£m</u>
Updated Service Provision	319.234	321.055
2008-2013 Changes	23.776	23.319
Police Specific Grant Removed *	(17.021)	(17.021)
Loan Charges & PPP Schemes Support	21.695	20.989
Main Floor	<u>(1.179)</u>	<u>(1.517)</u>
Total Estimated Expenditure (TEE)	346.505	346.825
Assumed Council Tax Contribution	(45.382)	(45.515)
New 85% Floor	-	-
General Revenue Changes 2013-2015 *	<u>(27.392)</u>	<u>(27.925)</u>
Total Distributable Revenue Support	<u>273.731</u>	<u>273.385</u>
Figure Previously Notified	<u>318.144</u>	<u>318.331</u>
Reduction from Figure Previously Notified *	<u>(44.413)</u>	<u>(44.946)</u>

5.2 The revised figures show significant reductions from the figures previously notified in February 2012, for the reasons outlined in paragraph 4.2 above. A full reconciliation of the City Council's net reduction is shown below.

	<u>2013/2014</u> <u>£m</u>	<u>2014/2015</u> <u>£m</u>
Police - Specific Grant Removed	(17.021)	(17.021)
Police – Other Funding Removed	(16.055)	(16.028)
Fire – Funding Removed	(12.251)	(12.173)
Council Tax Benefit	0.664	tba
Blue Badge	0.021	0.021
Looked After Children	0.053	0.053
Free Personal & Nursing Care	0.052	0.078
Family Support	0.074	0.074
Police & Fire On-Going Costs	<u>0.050</u>	<u>0.050</u>
Net Reduction from Figure Previously Notified	<u>(44.413)</u>	<u>(44.946)</u>

Where necessary, the above changes will be reflected in the City Council's 2013/2014 Provisional Revenue Budget.

5.3 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 2013/2014 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 2013/2014. The City Council's GRF/NDR total for 2012/2013 is £273.624m.

5.4 The Council's revised General Capital Grant figures have been advised at :

2013/2014 - £11.943m
2014/2015 - £17.491m

The above figures represent reductions of £0.416m and £0.611m from the figures previously notified due to the removal of support for Police capital, which (unlike support for Fire capital) is routed through Councils' General Capital Grant.

In addition, the Council has been awarded Cycling, Walking and Safer Streets specific capital grant of £154,000 in 2013/2014 and £226,000 in 2014/2015. The Vacant and Derelict Land Fund specific capital grant allocations have not yet been finalised by the Scottish Government.

The Council's 2013-2017 Capital Plan will be submitted to the Special Policy and Resources Committee on 14 February 2013. It is proposed that the procedures for agreeing the Council's 2013-2017 Capital Plan should be the same as those for setting the 2013/2014 Revenue Budget and Council Tax, as set out in Section 8 and Appendix 2 of this report.

6.0 PROVISIONAL REVENUE BUDGET 2013/2014

6.1 Over the past few months the Chief Executive and Director of Corporate Services, in conjunction with the other Chief Officers, have been preparing a Provisional Revenue Budget for 2013/2014. This has involved rolling forward the Final 2012/2013 Revenue Budget and adding in provision for anticipated inflationary pressures, including pay awards. Cost pressures and savings that have been identified through the 2012/2013 revenue monitoring process have also been reflected, together with new cost pressures that will emerge in 2013/2014 and transfers of responsibility eg Police and Fire. The consolidation of property-related budgets within the City Development department has also been reflected. A list of cost pressures and savings that have been reflected in the Provisional 2013/2014 Revenue Budget is shown at Appendix 1 to this report. The Provisional 2013/2014 Revenue Budget currently totals £337.6 million. The Provisional 2013/2014 Revenue Budget volume (including Review of Charges) will be issued mid-January 2013.

- 6.2 Based on current assumptions, the Council would require to identify budget savings totalling £6.5 million in order to achieve a Council Tax freeze in 2013/2014. This is further predicated on the assumption that the Council agrees to the full package of measures related to the Local Government Finance Settlement. It is stressed, however, that officers are still examining the details of the grant settlement and refining the assumptions and figures in the Provisional 2013/2014 Revenue Budget. The financial information included in this report will be updated as necessary and included in the Council Tax proposals to be submitted to the Special Policy & Resources Committee on 14 February 2013.

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, as proposed under the Business Rates Incentivisation Scheme, thereafter distributed to individual Councils on the basis of their share of the 2011/2012 mid-year estimates. 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 £53.951 million from the Non-Domestic Rates Pool in 2013/2014.
- 7.2 The 2013/2014 Non-Domestic Rate Poundage for Scotland will be set following confirmation of the equivalent rate in England. It is expected that the English rate will be announced shortly and the Scottish rate poundage will be confirmed shortly thereafter. The Council will make provision for non-domestic rates on its own properties within the 2013/2014 Provisional Revenue Budget.

8.0 PROCEDURE FOR SETTING REVENUE BUDGET AND COUNCIL TAX 2013/2014

- 8.1 The proposed procedure for the setting of the 2013/2014 Revenue Budget and Council Tax is the same as the procedure adopted last year for the setting of the 2012/2013 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 Director of Corporate Services for prior approval as to their competence will again apply in setting the 2013/2014 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 5pm on 6 February 2013 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 14 February 2013.
- 8.3 If there are any further technical adjustments required to the 2013/2014 Provisional Revenue Budget or grant settlement figures then these will be included in the separate report by the Director of Corporate Services which will be issued along with the agenda for the meeting on 14 February 2013. The Director of Corporate Services 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 2013/14 Revenue Budget and Council Tax level on 14 February 2013 is attached at Appendix 2.

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 CONSULTATIONS

10.1 The Chief Executive and Head of Democratic and Legal Services have been consulted on the content of this report.

11.0 BACKGROUND PAPERS

11.1 Scottish Government Local Government Finance Circular 11/2011 (8 December 2011)
Scottish Government Local Government Finance Circular 1/2012 (9 February 2012)
Scottish Government Local Government Finance Circular 3/2012 (15 March 2012)
Scottish Government Letter to COSLA (20 September 2012)
Scottish Government Local Government Finance Circular 5/2012 (27 November 2012)

MARJORY M STEWART
DIRECTOR OF CORPORATE SERVICES

07 JANUARY 2013

COST PRESSURES REFLECTED IN PROVISIONAL 2013/2014 REVENUE BUDGET

Department / Item	£m
Education – PPP Unitary Charges inflation shortfall 2012/13	0.072
Social Work – cost pressures, demographic pressures and contributions to new Change Funds	4.793
Environment – DERL Gate Fees inflation shortfall 2012/13	0.122
City Development: Contribution to City Jet London Flight	0.075
Corporate Services / Finance Revenues – reduction in HB / CBT administration grant	0.246
Corporate – shortfall in funding transfer from UK Government for Council Tax Subsidy	0.600
Various – 1% pay award wef from 1 April 2013	2.074
Various – new monies / transfers included in revised grant settlement	0.864
Various – impact of Living Wage (including increase to £7.50)	0.192
Various – changes to National Insurance Contracted Out Rate	0.138
Various – other various cost pressures and income shortfalls	1.409
	<u>10.585</u>

SAVINGS REFLECTED IN PROVISIONAL 2013/2014 REVENUE BUDGET

Department / Item	£m
Education – full year effect of 2012/13 budget savings	(0.163)
Education – reduction in insurance costs for PPP Schools	(0.120)
Social Work – Central Support Services (reductions in various non-staff costs budgets)	(0.020)
City Development – non-filling of vacancies, restructure, VERs	(0.223)
City Development – Business Gateway (contract renegotiated)	(0.113)
City Development – 5% saving on energy and water budgets	(0.170)
City Development – various other savings and efficiencies	(0.101)
Environment – savings and efficiencies in Corporate Fleet	(0.182)
Environment – efficiencies in service delivery in Construction Services	(0.200)
Environment – savings and efficiencies in Support Services budgets	(0.132)
Environment - various other savings and efficiencies	(0.120)
Chief Executive (excluding Communities & Policy) - various savings and efficiencies	(0.125)
Communities & Policy – adjustment to staff slippage target and deletion of various vacant posts	(0.159)
Corporate Services – revised structure for Children’s Panel	(0.160)
Corporate Services – telephony savings	(0.170)
Corporate Services – non-filling / deletion of various vacant posts	(0.247)
Corporate Services – additional income from Statutory Additions	(0.100)
Corporate Services - various other savings and efficiencies	(0.101)
Other Housing – adjustment to internal recharge income and expenditure	(0.132)
Various – full year effect of 2012/13 VERs / VRs	(0.092)
	<u>(2.830)</u>

PROCEDURE FOR COUNCIL TAX SETTING DAY - 14 FEBRUARY 2013

Date and Time

Action

**14 February 2013
3pm**

Special Policy and Resources Committee meets.

The Special Policy and Resources Committee will consider the City Council's 2013/2014 Revenue Budget, as submitted in the Provisional Revenue Budget volume, along with the report by the Director of Corporate Services.

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 Member will move any amendments.

The Committee will then commence the debate and approval of the Final Revenue Budget and Council Tax for 2013/2014.