

**REPORT TO: SPECIAL EDUCATION, POLICY & RESOURCES AND
FINANCE COMMITTEES – 15 FEBRUARY 2001**

REPORT ON: REVENUE BUDGET AND COUNCIL TAX 2001/02, 2002/03 AND 2003/04

REPORT BY: DIRECTOR OF FINANCE

REPORT NO: 92-2001

1 PURPOSE OF REPORT

To advise members of the current position regarding the 2001/02 Revenue Budget and to remind members of those factors still requiring decisions in order to set the final 2001/02 Revenue Budget and Council Tax. The report also outlines the processes and decisions relating to the setting of indicative Revenue Budgets and Council Tax levels for the financial years 2002/03 and 2003/04.

2 RECOMMENDATIONS

2.1 The Special Education and Special Policy & Resources Committees are asked to note the contents of the Provisional Revenue Budget Volume 2001/02.

2.2 The Special Policy & Resources Committee is asked to approve the technical amendments detailed in Appendix A to this report and reduce the 2001/02 Revenue Budget by £49,000 to £215.094m.

2.3 The Special Education and Special Policy & Resources Committees are asked to note the estimate of additional funding for the McCrone settlement for 2001/02, as detailed in Paragraph 8, and agree that the sum of £1.205m be included in the 2001/02 Revenue Budget.

2.4 The Special Policy & Resources Committee is asked to note the indicative Revenue Budget levels for financial years 2002/03 and 2003/04, as detailed in Paragraph 15.

2.5 The Special Finance Committee is asked to note those factors which it requires to consider when setting the final Revenue Budget and Council Tax for 2001/02 and the indicative Revenue Budget and Council Tax for 2002/03 and 2003/04 (referred to in Paragraphs 12, 13 and 14 of this report).

3 LOCAL AGENDA 21 IMPLICATIONS

None

4 EQUAL OPPORTUNITIES IMPLICATIONS

None

5 BACKGROUND

5.1 The Finance Committee on 18 December 2000 considered report 712-2000, by the Director of Finance. This report detailed the Local Government Finance Settlement for the period 2001 to 2004 and outlined the new requirement to announce Council Tax levels for years 2 and 3 of the settlement period, being the financial years 2002/03 and 2003/04.

6 PROVISIONAL 2001/02 REVENUE BUDGET

- 6.1 The Provisional 2001/02 Revenue Budget volume was issued by the Director of Finance on 15 January 2001. This showed a total Revenue Budget requirement of £215.143m, before any technical amendments, savings/review of charges or new monies were included.

7 TECHNICAL BUDGET AMENDMENTS

- 7.1 Since the Provisional 2001/02 Revenue Budget volume was issued on 15 January 2001, the Council has been notified by the Scottish Executive of a number of technical amendments to its Aggregate External Finance figure for 2001/02. Some of these amendments impact on the Provisional 2001/02 Revenue Budget and these are detailed in Appendix A. The net effect is to reduce the 2001/02 Revenue Budget by £49,000 to £215.094m.

8 ADDITIONAL FUNDING FOR McCrone SETTLEMENT

- 8.1 The Local Government Finance Settlement, announced on 7 December 2000 by the Scottish Executive, contained additional provision for the financial implications of implementing the McCrone teachers pay settlement. The Directors of Finance and Education have now had the opportunity to examine the Finance Settlement in detail and it is estimated that the Council's share of the additional funding in the financial year 2001/02 is £1.205m.
- 8.2 It should be noted that the Scottish Executive has yet to advise the Council of its share of the £82.1m for the balance of McCrone funding required in the financial year 2001/02. This balance of McCrone funding will be additional to the Council's current Aggregate External Finance and will be required to increase the Council's Teachers pay provision within the 2001/02 Revenue Budget. When the Scottish Executive announce the City Council's share of this funding, this sum will be added to both the Education 2001/02 Revenue Budget and the Council's Aggregate External Finance and will have a neutral effect on the level of 2001/02 Council Tax.

9 PAY AWARDS, SPECIFIC PRICE INFLATION ETC

- 9.1 The Provisional 2001/02 Revenue Budget includes an allowance of 3% for the April 2000 pay awards, together with allowances for specific price inflation in certain areas eg Third Party Payments, Education Per Capita etc. It is considered that these allowances are sufficient for the purposes of finalising the 2001/02 Revenue Budget and setting the 2001/02 Council Tax.

10 GENERAL CONTINGENCY PROVISION

- 10.1 The Provisional 2001/02 Revenue Budget does not include any provision for a General Contingency. It was noted in Paragraph 9, however, that the budget does include allowances for pay awards and specific price inflation and that these allowances were considered to be sufficient. Nonetheless, it is prudent to also provide for a General Contingency to cover any unforeseen or emergency expenditure which may occur during the financial year 2001/02. The amount of the General Contingency provision requires to be decided by the Special Policy & Resources Committee on 15 February 2001.

11 CAPITAL FINANCING COSTS/INTEREST ON REVENUE BALANCES

- 11.1 The Provisional 2001/02 Revenue Budget includes a figure of £20.021m for Capital Financing Costs/Interest on Revenue Balances. This is based on a projected average borrowing rate of 6.6%. It is considered that this allowance is sufficient for the purposes of finalising the 2001/02 Revenue Budget and setting the 2001/02 Council Tax.

12 AGGREGATE EXTERNAL FINANCE (AEF)

- 12.1 The Council's Aggregate External Finance (AEF) for 2001/02 can be analysed into two distinct elements:

	£m
a Revenue Support Grant (RSG)	125.430
Non Domestic Rate Income (NDRI)	<u>43.842</u>
Total RSG/NDRI	169.272
b Specific Grants	<u>21.136</u>
Total Aggregate External Finance	<u>190.408</u>

The above figures incorporate the technical amendments to the Council's 2001/02 AEF figures, as notified by the Scottish Executive (see Paragraph 7).

- 12.2 The figure for Specific Grants reflects the projected grant income based on the level of activity included within the Provisional 2001/02 Revenue Budget (as amended). This figure is already included within the Provisional 2001/02 Revenue Budget volume and, accordingly, it is only the figure for "Total RSG/NDRI" of £169.272m which requires to be included in the calculation of the Council's 2001/02 Council Tax.

13 GENERAL FUND BALANCES

- 13.1 In setting the 2001/02 Council Tax it is important to assess the Council's likely General Fund balances at 31 March 2001. It is estimated that the combination of the balances brought forward from 31 March 2000, together with the projected spend in the current financial year, will result in a General Fund Balance at 31 March 2001 of approximately £1.0m. A decision on the possible use of balances requires to be taken by the Special Finance Committee on 15 February 2001.

14 PROVISION FOR NON-COLLECTION OF THE 2001/02 COUNCIL TAX

- 14.1 The Council Tax was introduced in 1993/94 and the current projections are that the final level of non-collection in respect of financial years 1993/94 to 1999/2000 inclusive will be approximately 4%. A provision for the anticipated level of non-collection of the 2001/02 Council Tax requires to be decided by the Special Finance Committee on 15 February 2001.

15 INDICATIVE REVENUE BUDGETS 2002/03 AND 2003/04

- 15.1 As part of the Local Government Finance Settlement announcements made on 7 December 2000, Councils were notified of their Aggregate External Finance settlement for 2002/03 and 2003/04. In addition, the Finance Minister announced that expenditure guidelines are to be abolished. Councils are now required to announce Council Tax figures for 2002/03 and 2003/04 when they set their 2001/02 Council Tax. The Council has now been advised by CoSLA that the Council Tax figures for financial years 2002/03 and 2003/04 should be regarded as "indicative" although Councils would have to justify any significant changes to these figures to both their local electorate and to Scottish Ministers.

15.2 The first step in the process of determining indicative Council Tax levels for years 2 and 3 is to identify the projected Revenue Budget requirements for these years. This has been done by rolling forward the Provisional 2001/02 Revenue Budget and adjusting for anticipated pay awards, inflation and growth, as required. For pay awards, a provision of 3% has been included in both years and other budget heads have had a reasonable inflation allowance applied (usually 2.5%). For specific cost items eg Joint Board requisitions etc, full provision has been made for anticipated increases. In terms of growth, provision has been made for anticipated increases in Finance Charges and employers superannuation costs. In addition, the figures for the additional funding for the McCrone settlement have also been included in Provisional Revenue Budgets for these years.

After adjusting for pay awards, inflation and the McCrone settlement, the Provisional Revenue Budget requirements for 2002/03 and 2003/04 have been identified as £225.722m and £231.745m respectively. It should be stressed that this exercise has been undertaken at a reasonably high level and will be subject to detailed review by Departments after the 2001/02 Revenue Budget has been set. The Director of Finance will bring forward a detailed 3 Year Revenue Budget volume in due course.

15.3 The Aggregate External Finance (AEF) figures for 2002/03 and 2003/04 were announced as £178.404m and £184.892m respectively. These figures exclude Specific Grants, as the appropriate amounts have already been included within the indicative Revenue Budget figures shown in Paragraph 15.2. The AEF figures require to be included in the calculation of the indicative Council Tax levels for 2002/03 and 2003/04.

15.4 In announcing indicative Council Tax levels for 2002/03 and 2003/04, the Special Finance Committee will also require to make decisions in respect of the items identified in Paragraphs 13 and 14 ie possible use of General Fund balances and provision for Council Tax non-collection.

15.5 It must be stressed that any savings, review of charges, growth or new monies included in the Final 2001/02 Revenue Budget will require to be reflected in the Provisional Revenue Budgets for 2002/03 and 2003/04.

16 CONCLUSION

16.1 The purpose of this report is to provide members with the background information necessary to assist them in considering the final stages of the 2001/02 Revenue Budget process and, ultimately, the determination of the 2001/02 Council Tax. The report also outlines the processes and decisions relating to the setting of indicative Revenue Budgets and Council Tax levels for the financial years 2002/03 and 2003/04.

DAVID K DORWARD
DIRECTOR OF FINANCE

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.

PROPOSED TECHNICAL AMENDMENTS TO 2001/02 PROVISIONAL REVENUE BUDGET

	<u>£000</u>	<u>£000</u>
<u>Education - Excellence Fund</u>		
The Council has recently been advised by the Scottish Executive of it's 2001/02 allocations for the various initiatives under the Excellence Fund Core and Special programmes. Expenditure on these programmes is supported by a 100% Specific Grant. The estimated total allocation for 2001/02 of £4.768m is some £0.975m higher than the amounts included in the Council's 2001/02 Provisional Revenue Budget. This additional amount requires to be included both as expenditure and income in the 2001/02 Revenue Budget.	975 <u>(975)</u>	0
<u>Education - In Service Training of Teachers</u>		
A further £1m has been made available by the Scottish Executive for distribution to Council's through the In-Service Training of Teachers Specific Grant (100%). The Council's share of this additional amount is £26,000 and this requires to be included both as expenditure and income in the 2001/02 Revenue Budget.	26 <u>(26)</u>	0
<u>Social Work</u>		
A further £1m has been made available by the Scottish Executive for distribution to Council's through the Mental Illness Specific Grant (70%). The Council's share of this additional amount is £24,000 and this requires to be included as as expenditure in the 2001/02 Revenue Budget, together with the additional Specific Grant of £17,000 (70%).	24 <u>(17)</u>	7
<u>Tayside Fire Joint Board (TFJB)</u>		
A recalculation of the Grant Aided Expenditure figures for Scottish Fire Boards has resulted in the GAE for TFJB being reduced by £107,000. This reduction was reflected in the final 2001/02 Revenue Budget set by TFJB on 29 January 2001. The City Council's share of this budget reduction is £56,000 (52%). It should be noted that the reduction of £56,000 in the City Council's share of GAE has caused a corresponding reduction in the Council's Aggregate External Finance (see Paragraph 12 of report). The overall effect of this matter will neutral to the Council's 2001/02 Provisional Revenue Budget.		<u>(56)</u>
NET BUDGET REDUCTION		<u>(49)</u>