

**REPORT TO: POLICY & RESOURCES COMMITTEE - 28 JANUARY 2008**

**REPORT ON: LOCAL GOVERNMENT FINANCE SETTLEMENT 2008 TO 2011 AND  
REVENUE BUDGET/COUNCIL TAX SETTING PROCEDURE**

**REPORT BY: HEAD OF FINANCE**

**REPORT NO: 92-2008**

## **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 the three year period 2008-2011. The report identifies the City Council's Revenue Funding Allocation for these financial years and also outlines the current position on the Revenue Budget for the three year period 2008-2011. The report also sets out the procedure for setting the Revenue Budget and Council Tax for 2008/09.

## **2.0 RECOMMENDATIONS**

It is recommended that the Committee:

2.1 Notes the Council's Revenue Funding Allocation for the three year period 2008-2011, 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 2008-2011.

2.3 Agrees the procedures to be followed for setting the 2008/09 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 14 February 2008.

## **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 2007-2010 was issued by the Head of Finance in April 2007.

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

## **5.0 LOCAL GOVERNMENT FINANCE SETTLEMENT 2008 TO 2011**

5.1 On 13 December 2007, the Cabinet Secretary for Finance & Sustainable Growth announced Local Government Finance Settlement figures for 2008/09, 2009/10 and 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 2008.

5.2 The total figures for all Scotland were announced as follows:

	<u>2008/09</u> £m	<u>2009/10</u> £m	<u>2010/11</u> £m
Updated Service Provision	10,442.105	10,489.426	10,534.033
Spending Review 2007 Extra Funding	411.495	773.782	1,082.096
Loan Charges & PPP Schemes Support Floor	942.874	926.488	916.725
	<u>-</u>	<u>-</u>	<u>-</u>
Total Estimated Expenditure (TEE)	11,796.474	12,189.696	12,532.854
Assumed Council Tax Contribution	<u>(1,804.300)</u>	<u>(1,829.700)</u>	<u>(1,856.600)</u>
Total Revenue Support	9,992.174	10,359.996	10,676.254
Council Tax Freeze Grant	<u>70.000</u>	<u>140.000</u>	<u>210.000</u>
Total	<u>10,062.174</u>	<u>10,499.996</u>	<u>10,886.254</u>

5.3 Within the overall totals above, the figures for Dundee City Council were announced as follows:

	<u>2008/09</u> £m	<u>2009/10</u> £m	<u>2010/11</u> £m
Updated Service Provision	309.904	308.984	309.641
Spending Review 2007 Extra Funding	12.035	22.353	31.366
Loan Charges & PPP Schemes Support Floor	25.773	25.803	25.917
	<u>(0.496)</u>	<u>(0.848)</u>	<u>(1.135)</u>
Total Estimated Expenditure (TEE)	347.216	356.292	365.789
Assumed Council Tax Contribution	<u>(43.115)</u>	<u>(43.373)</u>	<u>(43.650)</u>
Total Revenue Support	304.101	312.919	322.139
Council Tax Freeze Grant	<u>1.762</u>	<u>3.523</u>	<u>5.285</u>
Total Funding	<u>305.863</u>	<u>316.442</u>	<u>327.424</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 2008-2011 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 2008/09. The City Council's GRF/NDR total for 2008/09 is £273.996m, excluding Council Tax Freeze Grant of £1.762m. It is stressed that this latter element can be assumed in the 2008/09 Council Tax calculation only if the Council Tax level is frozen.

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

**Updated Service Provision** reflects the ongoing support for 2007/08 service provision and includes the following: (i) the 2007/08 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 2007/08 ongoing revenue grants that were previously ring-fenced but are now rolled-up within the settlement and (iv) the extra funding provided in 2007/08, 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 2008/09. **Total Funding** is, therefore, the amount of grant available if a Council Tax freeze is delivered.

## 6.0 PROVISIONAL REVENUE BUDGET 2008-2011

6.1 As noted in paragraph 4.1 above, a budget volume covering the period 2007-2010 was issued in April 2007. Over the past nine 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 2008/09 and 2009/10 and preparing new Revenue Budgets for 2010/11. The outcome of this exercise will be reflected in the 2008-2011 Provisional Revenue Budget volume, which will be issued on 7 February 2008, with the papers for the Special Policy & Resources Committee meeting on 14 February 2008.

6.2 The Concordat signed by the Scottish Government and CoSLA contains a number of measures including a substantial reduction in ring-fenced funding. As a result, a number of funding streams that were previously paid directly to Council services upon receipt of grant claims have now been rolled up into Councils' general revenue funding. Accordingly, it is now necessary to remove the previously ring-fenced funding from departments income budgets or, in some instances, to introduce expenditure budgets where no budgetary provision existed. These adjustments have been made largely on the basis of the figures that have been rolled-up in the settlement. The 2008-2011 Provisional Revenue Budget Volume will include these adjustments, together with other technical budget adjustments that have been identified by corporate officers.

## 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 £54.535m from the Non-Domestic Rates Pool in 2008/09.

7.2 The Cabinet Secretary for Finance & Sustainable Growth has announced that the national rate poundage for Scotland for 2008/09 has been provisionally set at 45.8p. This represents an increase of 1.7p or 3.9%. A supplement of 0.4p will be levied on larger businesses and ratepayers to fund the Small Business Rate Relief Scheme. The Council will make provision for non-domestic rates on its own properties within the 2008-2011 Provisional Revenue Budget.

## 8.0 PROCEDURE FOR SETTING REVENUE BUDGET AND COUNCIL TAX 2008/09

8.1 The proposed procedure for the setting of the 2008/09 Revenue Budget and Council Tax is the same as the procedure adopted last year for the setting of the 2007/08 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 2008/09 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 6 February 2008 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 2008.
- 8.3 If there are any further technical adjustments required to the 2008/09 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 14 February 2008. 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 2008/09 Revenue Budget and Council Tax level on 14 February 2008 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 Executive Finance Circular 6/2007 (13 December 2007)

**MARJORY M STEWART**  
**HEAD OF FINANCE**

**24 JANUARY 2008**

**PROCEDURE FOR COUNCIL TAX SETTING DAY - 14 FEBRUARY 2008**

**Date and Time**

**Action**

**14 February 2008  
3pm**

**Special Policy and Resources Committee meets.**

The Special Policy and Resources Committee will consider the City Council's 2008-2011 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 2008/09.