
**GENERAL FUND REVENUE RESOURCES
AND COUNCIL TAX 2012/13**

ITEM 5

Report By CHIEF FINANCIAL OFFICER

SCOTTISH BORDERS COUNCIL

9 FEBRUARY 2012

1 PURPOSE

- 1.1 The purpose of this report is to advise Council of the estimated General Fund revenue resources available for financial years 2012/13 – 2014/15.**
- 1.2 The report also outlines the process supporting the construction of the draft revenue budget 2012/13 – 2014/15.**
- 1.3 The financial constraints and major risks to be addressed are identified.**
- 1.4 A decision is sought with regard to the level of Council Tax to be levied for 2012/13.**

2 RECOMMENDATIONS

2.1 It is recommended that the Council:-

- (a) notes the estimated revenue resources for 2012/13 to 2014/15;**
- (b) proceeds to approve the Administration's budget proposals as set out elsewhere on the agenda;**
- (c) approves a Band D council tax of £1,084 for financial year 2012/13, freezing the council tax at 2007/08 levels for fifth successive year;**
- (d) determines the council taxes to be paid for 2012/13 in respect of chargeable dwellings as set out in appendix 1 to this report.**

3 MAIN REPORT

3.1 The local government finance settlement (the settlement) was published on 8 December 2011 and updated on 22 December. The settlement confirmed resources from central government of £213.869m. Assuming that Council Tax is frozen again at 2007/08 levels, the total revenue resources available to the Council for 2012/13 are shown in table 1 below totalling £264.195m excluding specific grants.

Table 1 Assessment of Available Resources 2012/13 – 2014/15

AEF (Excluding Specific Grants)	£'000	£'000	£'000
Revenue Support Grant	187,380	185,666	182,632
Non Domestic Rates	<u>26,489</u>	<u>28,503</u>	<u>31,183</u>
	213,869	214,169	213,815
Council Tax	50,326	50,226	50,126
Total	<u>264,195</u>	<u>264,395</u>	<u>263,941</u>

THE AEF SETTLEMENT 2012/13

3.2 Mainstream support for local government from the Scottish Government is collectively known as Aggregate External Finance (AEF) and comprises:-

- General Revenue Funding to support expenditure on the complete range of Council Services
- A distribution of funding from the National Non-Domestic Rates Pool
- Ring-fenced grants which authorities must use for specified purposes
- Council Tax freeze funding which will only be distributed if a Council freezes its Council Tax at 2007/08 levels and meets all the conditions of the Scottish Government settlement. The estimated level of council tax collectable next year has been revised to £50.326m in financial year 2012/13 as shown in table 1 above. This estimate is based on the numbers of chargeable dwellings, applicable discounts, and anticipated levels of bad debt and collection rates.

3.3 There are three conditions specified by the Government which must be agreed by Scottish Local Authorities in order to access the full level of AEF per the settlement. In addition to the pursuit of joint priorities set out in the local outcome agreement the Council is required to:-

- a) maintain a council tax freeze in each of the three years of the spending review;
- b) maintain teacher numbers in line with pupil numbers, securing places for all probationers who require one under the teacher induction scheme;

c) pass on the full share of funding to police boards in line with the previously agreed level for 2011/12.

3.4 Overall resources from central government reflect a decrease of £0.97m (0.45%) compared to 2011/12 comparable totals. The offer of funding contained in finance circular 11/2011 is provisional at this stage pending approval of the government's forth-coming budget bill and the publication of the final 2012 circular.

3.5 Members will recall that all departments in planning for the 2012/13 budget were required to identify saving of 2%. This has created significant headroom of £1.913m, for elected member priorities. This funding has been made available and applied accordingly within the Administration's budget proposals for 2012/13.

AEF ESTIMATES 2013/14 and 2014/15

3.6 Provisional figures for AEF beyond 2012/13 have also been provided in the settlement. These indicate a small increase in total resources from Central government to Scottish Borders Council of £214.169m in 2013/14 falling back to £213.815m in 2014/15. These largely "flat cash" figures however mask the overall reduction in revenue support grant from central government over this period offset by an increasing reliance on Non Domestic Rate Income as source of funding. By 2014/15 non domestic rate income will comprise approximately 14.6% of government funding excluding ring fenced grants compared to 12.3% in 2012/13.

THE FINANCIAL PLANNING PROCESS 2012/13 TO 2014/15

3.7 The financial planning process for the next three years commenced in April 2011. The Administration has indicated that it fully supports the strategy of three year financial planning particularly given the increasingly challenging financial outlook and the lead-in times associated with the delivery of savings. The financial strategy underpinning the budget, which is submitted for approval elsewhere on the Council agenda, therefore covers a three year timeframe and will be used to inform the development of medium term revenue planning for the Council early in the new administration. Members should note that the revenue budget, submitted for approval elsewhere on the agenda, is balanced in financial year 2012/13 but that a gap remains, based on provisional planning assumptions of £2.192m and £9.024m in 2013/14 and 2014/15 respectively. To help bridge this gap preparatory work has commenced on a number of service reviews and business transformation projects, supported by funding in 2012/13. These reviews include passenger transport, property, and corporate ICT; however, the status of this work means it is not appropriate at this juncture to factor these savings into future year's budgets.

3.8 As noted in paragraph 3.5 in developing the 2012/13 budget council adopted a planning assumption based upon a 2% reduction in resources next year.

3.9 The 2% assumption was made in the context of:-

- The need for the council to continue its business transformation programmes, to modernise its structure and adopt new more effective models of service delivery;

- The need to deliver on going efficiency savings to fund budget pressures and to invest in spend to save projects which will permanently change the way the council delivers services and provide sustainable cashable benefits;
- Rising public expectations with regard to the breadth and quality of public service provided by the council;
- A range of demographic pressures particularly associated with services to the very young, the very old and vulnerable children;
- The need to continue investing in the core infrastructure of the Borders; and,
- Continued economic uncertainty with a consequent impact on benefits and the Local Government Pension Scheme through investment returns.

3.10 In recognition of the scale of the financial challenge facing the Council, not only next year but on a continuing basis thereafter, Members proactively agreed to approve early net revenue efficiency savings of £0.898k brought forward by the Administration on the 24 November 2011 providing a sound platform to deliver the remainder of the revenue budget.

THE RESOURCE ALLOCATION PROCESS

3.11 Before allocating available resources to Departments, as in previous years a number of non-Service specific items of expenditure were "top-sliced";

- Loan Charges.
- Police and Fire & Rescue Board requisitions to meet 49% funding requirement.
- Bad debt provisions, Corporate Property Repairs and Renewals Fund and Winter Service contributions.
- Members' remuneration and expenses.
- Audit fees.
- The net cost of discretionary rates relief not funded by the national non-domestic rates pool.
- Contributions to new-build affordable housing funded through reducing the second homes Council Tax discount.

3.12 In determining each Department's resource allocation for 2012/13 account was taken of:-

- relative shares of 2011/12 resources;
- inflation on the following non-pay items:-
 - (a) rents payable
 - (b) rates
 - (c) water charges

- (d) insurances
- (e) property repairs and maintenance
- (f) energy
- (g) residential placements
- (h) landfill tax
- (i) trading operations charges
- (j) transport;

- service specific inflation significantly above predicted inflation rates;
- additional commitments as identified in the Scottish Government's manifesto;
- exceptional items;
- the Administration's spending priorities;
- contributions to change funds assumed at 2.26%.

3.13 In determining provisional budgets for 2012/13, account has also been taken of:-

- the ongoing pay award and increment freeze in 2012/13;
- the full-year effect of previously approved service developments and rationalisation and efficiency measures approved in 2011/12;
- the revenue consequences of the proposed capital programme over the three year period to 2014/15;
- Council Tax levels, the recommend level of Reserves, the approach to Winter Maintenance and Corporate Property Repairs & Renewal Fund contributions set out in the Financial Strategy 2012/13 to 2014/15 submitted elsewhere on the Council agenda.

COUNCIL TAX

3.14 The aspiration of the Scottish Government to have Council Tax levels frozen at 2007/08 is to continue for a fifth year. A decision by elected members to vary the council tax beyond the rates set in 2007/08 will result in resources being withdrawn by central government. The potential "claw-back" from Scottish Borders Council in this eventuality is detailed in the settlement at £1.529m per annum. This would be equivalent to 3% on the council tax.

3.15 The Council is required under legislation to approve its council tax for the following financial year commencing 1 April by the 11 March in the preceding financial year.

4.1 FINANCIAL IMPLICATIONS

There are no additional financial implications associated with this report, its content referring specifically to the revenue budget.

4.2 RISK AND MITIGATION

- a) The Council faces a number of risks in setting its budget for 2012/13. The main identified risks are as set out in the Financial Strategy.
- b) There is an ongoing requirement for robust management action to deliver the savings set out in the budget on time and to the levels expected by the approved budget. The failure to deliver savings in line with the budget plan represents a significant risk to the council.
- c) If a Band D Council Tax of less than £1,084 is set, revenue resources would be insufficient to meet planned expenditure, unless expenditure plans were correspondingly modified.
- d) If a Band D Council Tax above £1,084 is set, AEF from the Scottish Government will be reduced by up to £1.529m per annum.

4.3 EQUALITIES

An equalities impact assessment has been undertaken with regard to individual budget proposals, where issues have been identified mitigating actions will be put in place. There are no further equalities impacts arising from this specific report

4.4 ACTING SUSTAINABLY

The revenue budget will affect the people and economy of the borders it has been designed to be as financially, socially and environmentally sustainable as possible.

4.5 CARBON MANAGEMENT

There are no effects on carbon emissions.

4.6 RURAL PROOFING

This report contains no implications that will compromise the Council's rural proofing strategy.

4.7 CHANGES TO THE SCHEME OF ADMINISTRATION OR SCHEME OF DELEGATION

There are no changes required to either the scheme of administration or the scheme of delegation.

5 CONSULTATION

- 5.1 The Head of Legal and Democratic Services and the Head of Audit & Risk have been consulted and any comments received have been incorporated.

Approved by

Name	Designation	Signature
David Robertson	Chief Financial Officer	

Author(s)

Name	Designation
David Robertson	Chief Financial Officer

Background Papers:

Previous Minute Reference: Council Report 24 November 2011

Note – You can get this document on tape, in Braille, large print and various computer formats by contacting the address below. Finance can also give information on other language translations as well as providing additional copies.

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Council Tax levels 2011/12

Band	Proportion of Band D Tax	£
A	6/9	722.67
B	7/9	843.11
C	8/9	963.56
D	9/9	1,084.00
E	11/9	1,324.89
F	13/9	1,565.78
G	15/9	1,806.67
H	18/9	2,168.00