
GENERAL FUND REVENUE RESOURCES AND COUNCIL TAX 2013/14

Report By CHIEF FINANCIAL OFFICER

SCOTTISH BORDERS COUNCIL

7 FEBRUARY 2013

1 PURPOSE AND SUMMARY

1.1 The purpose of this report is to advise Council of the estimated General Fund revenue resources available for financial years 2013/14 – 2017/18.

1.2 The report also outlines the process supporting the construction of the draft 5 year revenue budget 2013/14 – 2017/18.

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 2013/14.

1.5 The Corporate Management Team have worked together to support Members to set a Corporate five year revenue budget to meet the quantified pressures identified of £27.122m facing the Council over the next five years. These pressures have arisen due to the continuing constraints on External Funding from central government, the continuing freeze on council tax, the increasing pressures from demographics, inflation and employment costs. In response the Administration has adopted a new approach to formulate a sustainable five year budget based on a programme of efficiency savings and longer term transformation change. This approach is designed to ensure the effective deployment of the funds available in line with the Council's corporate objectives and approved service plans.

2 RECOMMENDATIONS

2.1 It is recommended that the Council:-

(a) notes the estimated revenue resources for 2013/14 to 2017/18;

(b) proceeds to consider the Administration's revenue budget proposals as set out at item 6 on the agenda;

- (c) approves a Band D council tax of £1,084 for financial year 2013/14, freezing the council tax at 2007/08 levels for sixth successive year;**
- (d) determines the council taxes to be paid for 2013/14 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 27 November 2012. The settlement confirmed resources from the Scottish government of £197.721m. Assuming that Council Tax is frozen again at 2007/08 levels, the total revenue resources available to the Council for 2013/14 are shown in table 1 below at £248.647m excluding specific grants.

Table 1 Assessment of Available Resources 2013/14 – 2017/18

AEF (Excluding Specific Grants)	£'000	£'000	£'000	£'000	£'000
	<u>2013/14</u>	<u>2014/15</u>	<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>
Revenue Support Grant	186,233	182,951	182,957	183,469	183,900
Police & Fire Grant Removal	(17,015)	(17,015)	(17,015)	(17,015)	(17,015)
Non Domestic Rates	<u>28,503</u>	<u>31,183</u>	<u>31,183</u>	<u>31,183</u>	<u>31,183</u>
	197,721	197,119	197,125	197,637	198,068
Reserves		200			
Council Tax	50,926	51,126	51,626	52,126	52,626
Total	<u>248,647</u>	<u>248,445</u>	<u>248,751</u>	<u>249,763</u>	<u>250,694</u>

4. THE AEF SETTLEMENT 2013/14

4.1 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 the conditions of the Scottish Government settlement. The estimated level of council tax collectable has been revised to £50.926m in financial year 2013/14 as shown in table 1 above. This estimate is based on the numbers of chargeable dwellings, applicable discounts, anticipated levels of bad debt and collection rates.

4.2 There are two 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 two remaining 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;

4.3 Overall resources from central government reflect an increase of £0.35m (0.18%) compared to 2012/13 comparable totals. The offer of funding contained in finance circular 05/2012 is provisional at this stage pending approval of the government's budget bill and the publication of the final 2013 circular.

5. AEF ESTIMATES 2014/15

5.1 Provisional figures for AEF beyond 2013/14 have also been provided in the settlement. These indicate a small decrease in total resources from Central government to Scottish Borders Council of £197.319m in 2014/15. This 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 15.8% of government funding excluding ring fenced grants, compared to 12.3% in the 2012/13.

6. THE FINANCIAL PLANNING PROCESS 2013/14 TO 2017/18

6.1 The Council has identified a need to enhance longer term financial planning in response to ongoing constraints in public sector expenditure. This year saw a greater role for the Corporate Management Team to produce a corporate budget. The process commenced with the development of a five year financial model which quantified the financial pressures facing the Council of £27.338m and compared these against the estimated revenue resources available. The Administration fully endorsed the strategy of a five year financial plan, particularly given the increasingly challenging financial outlook, and the lead-in times associated with the delivery of savings. The Council approved £3.458m of budget proposals for consultation on the 13 December 2012.

6.2 Since the Council approved the financial model on the 13 December 2012 the pressure facing the Council has fallen by £0.216m to £27.122m. This net reduction in overall pressures is due to adjustments to inflation, redeterminations from the Scottish Government and a slight increase in funding offset by some identified new pressures. The final quantified pressures are included in the Financial Outlook in appendix 2 to this report.

6.3 The financial strategy underpinning the budget, which is submitted for approval elsewhere on the Council agenda, also covers a five year timeframe. Members should note that a 5 year balanced revenue financial plan, prepared by the Administration and included elsewhere on the agenda, has identified further savings proposals for the next five years through both short term budget proposals and longer term business transformation projects. In approving the commencement of work to deliver these future years projects the Administration has signalled a clear direction of travel.

6.4 In compiling the five year plan, the following issues have been addressed:-

- The need for the Council to continue its business transformation programmes, to modernise its structures and the terms and conditions of staff 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 projects which will permanently change the way the council delivers services and provide sustainable cashable benefits;
- The need to provide for a range of demographic pressures particularly associated with services to the very old and vulnerable;
- The commitment to maintain teacher numbers at least for the first year;
- The increasing cost the council is facing for the goods and services it buys due to a range of inflationary pressures;
- The need to continue investing in the core infrastructure of the Borders; and,
- Continued economic uncertainty with a consequent impact on welfare benefits and the Local Government Pension Scheme through investment returns.

7. THE RESOURCE ALLOCATION PROCESS

7.1 The allocation of resources to be made available to Departments was quantified within the financial model. Before allocating available resources to Departments, as in previous years a number of non-Service specific items of expenditure were "top-sliced";

- Loan Charges.
- 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.
- The cost of Teachers in line with the Scottish Governments policy of protecting teacher numbers.
- Contributions to Change funds

7.2 In determining each Department's resource allocation for 2013/14 account was taken of:-

- relative shares of 2012/13 resources;
- inflation on goods and services purchased;
- demographic changes;
- government policy changes;

- the impact of the continuing depressed economy.

7.3 In determining provisional budgets for 2013/14, account has also been taken of:-

- the recommencement of staff pay awards and increments in 2013;
- the full-year effect of previously approved service developments, rationalisations and efficiency measures approved in 2012/13;
- the revenue consequences of the proposed capital programme over the five year period to 2017/18;
- Council Tax levels, the recommended level of Reserves, and the approach to Winter Maintenance.

8. COUNCIL TAX

8.1 The aim to have Council Tax levels frozen at 2007/08 is it is understood to continue for a sixth year. A decision by elected members to vary the council tax beyond the rates set in 2007/08 would 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.

8.2 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.

9. FINANCIAL IMPLICATIONS

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

10. RISK AND MITIGATION

- a) The Council faces a number of risks in setting its financial plan for five years 2013/14 - 2017/18. The main identified risks are set out in the Financial Strategy.
- b) There is an ongoing requirement for robust management action to deliver the savings and the development of a Corporate Programme of Business Transformation to ensure the delivery of the proposals set out in the five year financial plan 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.

- c) 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.

11. 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.

12. 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.

13. CARBON MANAGEMENT

There are no effects on carbon emissions.

14. RURAL PROOFING

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

15. 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.

16. CONSULTATION

The Head of Legal and Democratic Services, Clerk to the Council and the Head of Audit & Risk have been consulted and any comments received have been incorporated.

Approved by

David Robertson
Chief Financial Officer

Signature

Author(s)

Name	Designation and Contact Number
Debbie Collins	Financial Services Manager Telephone 01835 825018

Background Papers:

Previous Minute Reference: Council Report 13 December 2012

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

Contact us at Debbie Collins, Council Headquarters, Newtown St Boswells, Melrose, TD6 0SA; Tel: 01835 825018.

Council Tax levels 2013/14

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