
**GENERAL FUND REVENUE RESOURCES AND COUNCIL TAX
2015/16**

Report by the Chief Financial Officer

SCOTTISH BORDERS COUNCIL

12 February 2015

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 2015/16 – 2019/20 following publication of the local government finance settlement on the 11 December 2014.**
- 1.2 The report also outlines the process supporting the construction of the draft 5 year revenue budget 2015/16 – 2019/20.
- 1.3 The financial constraints and major risks to be addressed are identified.
- 1.4 This paper has been prepared assuming the council tax freeze will continue.
- 1.5 The Corporate Management Team have worked together to support Members to set a Corporate five year revenue budget to meet pressures identified 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 continued to adopt an approach to formulate a sustainable five year budget based on a programme of efficiency savings and longer term transformational 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 Council**
- (a) **notes the estimated revenue resources for 2015/16 to 2019/20;**
 - (b) **agrees a Band D council tax of £1,084 for financial year 2015/16, freezing the council tax at 2007/08 levels for eighth successive year;**
 - (c) **approves the council taxes to be paid for 2015/16 in respect of chargeable dwellings as set out in appendix 1 to this report.**

- (d) proceeds to consider the Administration's Revenue Financial Plan 2015/16 - 2019/20 and associated fees and charges schedule for 2015/16.**

3 REVENUE RESOURCES

- 3.1 The local government finance settlement (the settlement) was published on 11 December 2014. The settlement confirmed resources from the Scottish government of £203.321m including redeterminations of £2.227m. The redeterminations were for Free School Meals (£1.233m), Scottish Welfare Fund (£0.472m), Single Fraud Investigation Service (£0.004m), Teachers Induction (£0.223m), Council Tax Reduction Scheme admin (£0.117m), Looked After Children (£0.217m), hostel grant (£0.016m), Self Directed Support (£0.096m), the reduction of Children's Legal representation for school pupils (-£0.002m) and an adjustment to reflect the final Children and Young People's Bill funding (-£0.149m). Each redetermination has associated budget implications which have been reflected in the Financial Plan. Assuming that Council Tax is frozen again at 2007/08 levels, the total revenue resources available to the Council for 2015/16 are shown in table 1 below at £254.571m excluding specific grants.

4 THE AEF SETTLEMENT 2015/16

- 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 £51.602m in financial year 2015/16 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 for 2015/16 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:-
1. maintain a council tax freeze
 2. maintain teacher numbers in line with pupil numbers, securing places for all probationers who require one under the teacher induction scheme. Sanctions in relation to maintaining teacher numbers are currently suspended pending the work to agree an Educational Outcomes based approach which is being reviewed in early 2015.
- 4.3 Overall resources from central government reflect an increase of £1.1m (0.55%) compared to 2014/15 comparable totals. The offer of funding contained in the finance circular is provisional at this stage pending approval of the Government's budget bill and the publication of the final 2015/16 funding circular.

	2015/16 £'000	2016/17 (Provisional) £'000	2017/18 (Provisional) £'000	2018/19 (Provisional) £'000	2019/20 (Provisional) £'000	Total £'000
Aggregate External Finance (1)						
General Revenue Support (2)	168,472	167,259	166,357	165,552	165,552	833,192
Non-domestic Rates (distribution from national pool)	34,849	34,849	34,849	34,849	34,849	174,245
	203,321	202,108	201,206	200,401	200,401	1,007,437
Reserves	508	962	153	0	0	1,623
Earmarking adjustments including pay award	(860)	874	9	0	0	23
Council Tax (Band D £1,084 - no increase)	51,602	51,992	52,392	52,876	53,375	262,237
Total	254,571	255,936	253,760	253,277	253,776	1,271,320

1. Funding from Scottish Government excludes ring-fenced grants (the budgets which follow are net of such grants).
2. The Scottish Government has announced provisional AEF for 2015/16.

5 AEF ESTIMATES 2015/16 AND BEYOND

- 5.1 At present the Scottish Government has only published draft AEF figures for 2015/16. In planning resources over the next 5 years the Council has therefore made assumptions about the levels of funding likely to be available and the level of savings which will be required to balance to these estimates.
- 5.2 Any movement from these assumptions in future finance settlements will require adjustments to be made to the overall level of savings made in the Financial Plan. Despite the absence of firm future figures, the scale of the challenge facing the Council is unlikely to diminish in the foreseeable future and longer term planning for the delivery of savings, which may have significant lead in times and require large scale organisational change remains a useful discipline.

6 THE FINANCIAL PLANNING PROCESS 2015/16 TO 2019/20

- 6.1 The 5 year Financial Plan the Council set for 2014-19 comprised a one year firm budget for 2014/15 and provisional figures for 2015/16-2018/19. In rolling forward the Financial Plan a corporate approach has again been pursued with a longer term planning horizon used to address the financial and service challenges facing the organisation.
- 6.2 In order to ensure the continued adoption of a strategic approach Members have previously agreed to focus on the delivery of a major programme of transformational change required to balance the Financial Plan.
- 6.3 Following a review of the Plan previously agreed for 2014-2019, additional pressures have arisen from increasing demographic pressures, the continuation of Local Authority support to the Council Tax Reduction scheme and inflationary increases as well as the continuing manpower pressures.

6.4 In order to support the longer term financial plan Corporate Management Team (CMT) adopted the following process:

- a review of the assumptions made within the 2014-19 Financial Plan for both pressures and savings
- Departments continued to monitor the benefits being realised by their programme of transformation and identified new project savings to meet any budget gap
- Further savings have been identified that can support the Financial Plan which can be implemented in the shorter term
- external fees & charges were reviewed as part of the financial planning process to maximise income whilst meeting the needs of the most vulnerable.
- CMT proposals were presented to and considered by elected members through the Administration Budget Working Group and the Administration.

7 COUNCIL TAX

7.1 The aspiration to have Council Tax levels frozen at 2007/08 is to continue for an eighth 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 £1.536m per annum. This would be equivalent to 3% on the Council Tax to replace the lost income.

7.2 The Council Tax freeze reflected in all 5 years of the Financial Plan is pending a longer term national review of Local Authority funding through a new Council Tax Commission established by the Scottish Government which may result in changes to Local Government finance during the 5 year period.

7.3 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.

8 IMPLICATIONS

8.1 FINANCIAL IMPLICATIONS

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

8.2 RISK AND MITIGATION

The Council faces a number of risks in setting its financial plan for five years 2014/15 - 2018/19. The main identified risks are set out in the Financial Strategy.

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.

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.

If a Band D Council Tax above £1,084 is set, AEF from the Scottish Government will be reduced by up to £1.536m per annum.

8.3 **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.

8.4 **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.

8.5 **CARBON MANAGEMENT**

There are no effects on carbon emissions.

8.6 **RURAL PROOFING**

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

8.7 **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.

9 **CONSULTATION**

9.1 Corporate Management Team has been involved in and agreed the compilation of the revenue Financial Plan.

9.2 The Monitoring Officer, the Chief Legal Officer, the Service Director Strategy and Policy, the Chief Officer Audit & Risk, the Chief Officer HR, and the Clerk to the Council are being consulted and any comments received will be reflected in the report.

Approved by

**David Robertson
Chief Financial Officer**

Signature

Author(s)

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Background Papers:

Previous Minute Reference:

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.

Contact us at Debbie Collins, Council HQ, Debbie.collins@scotborders.gov.uk, 01835825018.

Council Tax levels 2015/16

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