

REPORT TO: POLICY & RESOURCES COMMITTEE – 28 OCTOBER 2013

REPORT ON: SCOTTISH GOVERNMENT BUDGET ANNOUNCEMENT AND LIKELY FINANCIAL IMPLICATIONS FOR DUNDEE CITY COUNCIL

REPORT BY: DIRECTOR OF CORPORATE SERVICES

REPORT NO: 446-2013

1.0 PURPOSE OF REPORT

- 1.1 This report advises elected members of the Scottish Government Budget announcement made by the Cabinet Secretary for Finance, Employment & Sustainable Growth on 11 September 2013, covering the financial years 2014/15 and 2015/16. The report also identifies the likely financial implications for Dundee City Council.

2.0 RECOMMENDATIONS

It is recommended that the Policy & Resources Committee:

- 2.1 Notes the contents of this report.
- 2.2 Notes the relevant Local Government funding totals for 2014/15 and 2015/16, as announced by the Cabinet Secretary for Finance, Employment & Sustainable Growth on 11 September 2013.
- 2.3 Notes the terms of the overall funding settlement to be provided to Local Government, as advised by the Cabinet Secretary for Finance, Employment and Sustainable Growth in a letter to COSLA dated 11 September 2013 (and as detailed in Section 5 of this report).
- 2.4 Notes the likely financial implications for the Council, particularly in terms of the indicative level of savings that require to be identified in order to deliver a balanced budget and a Council Tax freeze over the period 2014-2016.
- 2.5 Notes that a further report will be submitted to the Policy & Resources Committee on 13 January 2014, after the individual local authority grant funding figures are announced.
- 2.6 Agrees the procedures to be followed for setting the 2014/15 Revenue Budget and Council Tax level, as set out in Section 9 and Appendix 1 of this report.
- 2.7 Agrees that the procedures for agreeing the Council's 2014-2018 Capital Plan should be the same as those for setting the 2014/15 Revenue Budget and Council Tax, as set out in Section 9 and Appendix 1 of this report.

3.0 FINANCIAL IMPLICATIONS

- 3.1 It is currently projected that savings totalling £8.4m in 2014/15 and a further £8.4m in 2015/16 will require to be identified in order to deliver a balanced budget and a Council Tax freeze in these financial years.
- 3.2 In the event that the Council does not agree to the full package of measures related to the overall funding package then the loss of grant would be circa £2.8 million in 2014/15, which equates to a Council Tax increase of 4.8%.

4.0 SCOTTISH GOVERNMENT DRAFT BUDGET 2014/15 AND 2015/16

- 4.1 On 11 September 2013, an announcement was made in the Scottish Parliament by the Cabinet Secretary for Finance, Employment & Sustainable Growth in respect of the Scottish Government Draft Budget for 2014/15 and 2015/16. This included high level figures for the Local Government portfolio. Local government grant figures for the three year period 2012-2015 were first announced in December 2011 and have been subsequently updated at various points. This is, however, the first time that figures have been announced for the 2015/16 financial year.
- 4.2 The Scottish Government Draft Budget announcement follows on from the Westminster Government's recent Spending Review for 2015/16. In normal circumstances, 2015/16 would mark the beginning of a new three year spending review period (covering 2015-2018). In light of the likely UK election in Spring 2015, however, the recent Spending Review was restricted to one year with the next Spending Review expected to be undertaken in mid-to-late 2015.
- 4.3 The high level figures for Local Government revenue grant funding 2014/15 and 2015/16 are as follows:

| | <u>2014/15</u> <u>£m</u> | <u>2015/16</u> <u>£m</u> |
|--------------------------|-----------------------------|-----------------------------|
| General Resource Grant | 6,971.3 | 6,809.0 |
| Non Domestic Rates | 2,688.0 | 2,883.0 |
| Specific Resource Grants | <u>98.9</u> | <u>98.9</u> |
| Total | <u>9,758.2</u> | <u>9,790.9</u> |

These figures continue the broad trend of flat cash settlements for Local Government. There are, however, some new monies being made available to reflect cost pressures and new legislative requirements. These are as follows:

| | <u>2014/15</u> <u>£m</u> | <u>2015/16</u> <u>£m</u> |
|------------------------------|-----------------------------|-----------------------------|
| Free Personal & Nursing Care | 4.5 | 6.0 |
| Care Home Fees | 2.5 | 2.5 |
| Children & Young People Bill | 50.7 | 81.9 |

In addition, the £320m transfer from DWP to fund the Council Tax Reduction Scheme has been baselined together with the Scottish Government's £23m contribution to the total funding shortfall of £40m (Local Government is funding the remaining £17m of the shortfall).

5.0 TERMS OF THE FUNDING PACKAGE

- 5.1 The Cabinet Secretary for Finance, Employment and Sustainable Growth wrote to COSLA on 11 September 2013 setting out the terms of the settlement to be provided to local government in return for the provisional funding amounts for 2014/15, as set out in the Draft Budget. The settlement continues to be focussed on delivery of the joint priorities of growing the economy and protecting front-line services and the most vulnerable in our society. This includes joint commitment to the delivery of the Government's programme as set out in the First Minister's statement to Parliament on 3 September 2013 and the *Government Economic Strategy*. In addition, Councils will be required to deliver the following specific commitments in return for the settlement:

- maintain a Council Tax freeze

- maintain teacher numbers in line with pupil numbers and secure places for all probationers who require one under the teacher induction scheme

Delivery of these commitments will be monitored by the Scottish Government and, in the event of a failure to deliver, individual Councils would see their funding package reduced. The package must be accepted in full and it will not be possible for Councils to select specific elements of the package or elements of the funding on offer. If any Council does not agree to the full package available then it will have its funding reduced by its share of:

- £70 million to deliver a Council Tax freeze
- £39 million for the teacher commitments

- 5.2 Only those Council Leaders who do not intend to take up the offer and agree the full package of measures set out in the 11 September 2013 letter are required to write to the Cabinet Secretary for Finance, Employment and Sustainable Growth setting out the reasons why they do not wish to comply. This is to be done by no later than 11 March 2014, but preferably by the end of February 2014 (and ideally as soon as possible after they have set their budgets and announced their Council Tax levels for 2014/2015). The Council's estimated share of the above £109 million package of resources is £2.8m in 2014/15, which equates to a Council Tax increase of 4.8%.

6.0 GRANT DISTRIBUTION

- 6.1 The 2014/15 financial year marks the final year of the three year settlement period covering 2012-2015. The distribution of the grant settlement to individual Councils was determined prior the start of the three year settlement period, using the established suite of 90+ needs-based indicators (mostly based on various counts of population). As such, the allocation of the 2014/15 grant settlement to individual Councils is already known, subject to determining the allocation of the new monies set out in paragraph 4.3 above.
- 6.2 The 2015/16 financial year marks the first year of a new settlement period, although as noted above no figures beyond 2016 have been announced at this stage. In line with established practice, the datasets used in the various needs-based indicators would normally be updated at this time to produce a revised grant distribution for use over the settlement period. Arrangements have been made through the joint CoSLA / Scottish Government Settlement and Distribution Group to facilitate this updating exercise. At a recent meeting of CoSLA Leaders, however, it was agreed to recommend to the Scottish Government that the 2014/15 grant distribution should be rolled forward into 2015/16 at individual Council level. This would mean that there would be no re-distributional effects in 2015/16 and each Council would effectively receive a flat-cash settlement, mirroring the overall position at national level. The Scottish Government's response to this proposal is awaited.

7.0 LIKELY FINANCIAL IMPLICATIONS FOR DUNDEE CITY COUNCIL

- 7.1 Elected members will recall that, in setting the 2013/14 Revenue Budget and Council Tax, savings totalling £6.5m were agreed. The Council continues to experience cost pressures due to demographic changes, additional demand for services and general / specific areas of price inflation (including the requirement to fund pay awards). In addition, locally determined sources of chargeable income continue to be compromised by the on-going economic situation. It is currently projected that savings totalling £8.4m in 2014/15 and a further £8.4m in 2015/16 will require to be identified in order to deliver a balanced budget and a Council Tax freeze in these financial years. This is based on the known grant settlement figures for 2014/15 and the assumption that these figures will roll forward into 2015/16 on a flat-cash basis, without any redistributional effects.

8.0 THE WAY AHEAD

- 8.1 The Draft Scottish Budget will now make its way through the parliamentary process. It is expected that grant funding figures for individual Council's will be announced for consultation in early December 2013. In terms of 2014/15, grant funding figures for individual Councils are already known, with only the allocation of the new monies set out in paragraph 4.3 above remaining to be determined. In terms of 2015/16, grant funding figures for individual Councils will be announced for the first time and the outcome will largely depend on whether these figures reflect an element of redistribution or are simply rolled forward from 2014/15. A further report will be submitted to the Policy & Resources Committee on 13 January 2014, covering the December 2013 announcements and updating the position on the Council's Revenue Budget and Council Tax. The 2014/15 Provisional Revenue Budget volume will also be issued around this time.

9.0 PROCEDURE FOR SETTING REVENUE BUDGET AND COUNCIL TAX 2014/15

- 9.1 The proposed procedure for the setting of the 2014/15 Revenue Budget and Council Tax is the same as the procedure adopted last year for the setting of the 2013/14 Revenue Budget and Council Tax.
- 9.2 The procedure in respect of submitting budget proposals and review of charges proposals to the Chief Executive and Director of Corporate Services for prior approval as to their competence will again apply in setting the 2014/15 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 5pm on 5 February 2014 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 13 February 2014.
- 9.3 If there are any technical adjustments required to the 2014/15 Provisional Revenue Budget or grant settlement figures then these will be included in the separate report by the Director of Corporate Services which will be issued along with the agenda for the meeting on 13 February 2014. The Director of Corporate Services will also make recommendations in that report regarding the use of balances in the setting of the Council Tax level.
- 9.4 A timetable showing the procedure for setting the 2014/15 Revenue Budget and Council Tax level on 13 February 2014 is attached at Appendix 1.

10.0 CAPITAL FUNDING

- 10.1 In terms of capital funding, the total support for Local Government within the Draft Scottish Budget is £773.2m in 2014/15 and £817.3m in 2015/16. These figures incorporate the previously agreed reprofiling of capital funding over the 2012-2015 Spending Review period (-£120m / -£100m / +£120m). The Scottish Government has confirmed that the remaining £100m has now been added in 2015/16, net of the Police and Fire component of £5.8m. Additional funding of £30m in each year has also been made available to address the capital implications of the Children and Young People Bill.
- 10.2 The Council's 2014-2018 Capital Plan will be submitted to the Special Policy and Resources Committee on 13 February 2014. It is proposed that the procedures for agreeing the Council's 2014-2018 Capital Plan should be the same as those for setting the 2014/15 Revenue Budget and Council Tax, as set out in Section 9 above and Appendix 1 of this report.

11.0 POLICY IMPLICATIONS

- 11.1 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.

12.0 CONSULTATIONS

- 12.1 The Chief Executive and Head of Democratic and Legal Services have been consulted on the content of this report.

13.0 BACKGROUND PAPERS

- 13.1 Scottish Government Draft Budget 2014/15 (11 September 2013)
Scottish Government Letter to COSLA (11 September 2013)

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PROCEDURE FOR COUNCIL TAX SETTING DAY - 13 FEBRUARY 2014

| <u>Date and Time</u> | <u>Action</u> |
|---------------------------------|---|
| 13 February 2014 3pm | <p>Special Policy and Resources Committee meets.</p> <p>The Special Policy and Resources Committee will consider the City Council's 2014/15 Revenue Budget, as submitted in the Provisional Revenue Budget volume, along with the report by the Director of Corporate Services.</p> <p>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 Labour Group, Conservative Member, Independent Member and Liberal Democrat Member will move any amendments.</p> <p>The Committee will then commence the debate and approval of the Final Revenue Budget and Council Tax for 2014/15.</p> |