

ANGUS COUNCIL

Special Budget Meeting of Angus Council - 15th February 2001

REVENUE BUDGET 2001/02
SETTING OF THE COUNCIL TAX

Report 202/01

Report By The Director of Finance

ABSTRACT

The purpose of this report is to explain the detailed steps which have already been taken and the further steps which still require to be taken with regard to the setting of the Council Tax charge for Angus Council in respect of the financial year 2001/02.

1. RECOMMENDATIONS

It is recommended that the Council :-

- a) Approve the 2001/02 net estimated expenditure of £145.779 million (excluding contributions to Special Funds) for Angus Council;
- b) Agree that an allowance of 4% for non-collection of the Council Tax be used in the tax setting calculations;
- c) Determine the contributions to Special Funds to be made for 2001/02;
- d) Determine the 2001/02 Council Tax payable at Band D;
- e) Note that the Unified Business Rate as prescribed by the Scottish Executive has been provisionally set at 47.0p for financial year 2001/02.

2. INTRODUCTION

Throughout this report, certain financial terminology will be encountered and a Glossary of Terms for the more important items is provided at Appendix 1 to assist readers.

The background surrounding the preparation of the revenue budget 2001/02 has been reported, inter alia, within Report Nos. 683/00, 943/00, 1181/00, 1243/00, 1290/00 and 166/01 as prepared by the Director of Finance. In summary, these Reports have highlighted that Angus Council faces a difficult task in delivering its revenue budget for 2001/02 within the resources anticipated to be available.

The Provisional Revenue and Capital Budgets 2001/02 Background Report (198/01) considered earlier today outlined that departmental savings totalling £1.1 million were necessary to balance the budget prior to further decisions being made on the setting of the Council Tax.

Angus Council's net estimated expenditure for 2001/02 will be £145.779 million (excluding contributions to Special Funds) after removal of the £1.1 million of proposed departmental savings. After deduction of £116.706 million Aggregate External Finance (AEF) (as adjusted) a balance of £29.073 million is left to be funded from Council Tax charges before considering the required contributions to or from the Council's Funds and Balances which will be determined at the Council Tax setting meeting.

The remainder of this report outlines the main financial considerations and the steps necessary to set the Council Tax charge.

3. MAIN FINANCIAL CONSIDERATIONS

3.1 Revised Total Estimated Net Expenditure 2001/02

The revised total of estimated net expenditure for 2001/02 as set out in the Summary Statement of Net Expenditure attached at Appendix 2, is £145.779 million (this assumes that all of the departmental savings outlined in report 200/01 are approved). This figure includes Capital Financing Costs, an allowance for inflation (see Section 3.3 below) and contributions from DSO surpluses. However, it excludes contributions to Special Funds.

In addition, allowance has been made within this net expenditure total in recognition of those funds provided by the Scottish Executive at present in respect of the McCrone Committee recommendations and Long Term Care of the Elderly. It will be necessary to adjust the revenue budget at a later stage to take cognisance of the final funding package to be provided by the Scottish Executive for these initiatives. Some £69.6 million of funding for the McCrone pay deal in financial year 2001/02 currently remains undistributed by the Scottish Executive. Further reports will be brought to committee in this regard as appropriate.

3.2 Aggregate External Finance

The overall level of Aggregate External Finance (Government Grant) allocated to Angus Council for 2001/02 has been set at £116.684 million.

However, as a consequence of nominal amendments to the previously announced specific grant figures a net increase in estimated specific government grant of £22,000 requires to be made for Council Tax calculation purposes. The revised AEF total is therefore £116.706 million.

3.3 Provision For Inflation

A degree of provision for inflation has been included in the Summary Statement of Net Expenditure (Appendix 2). This is mainly with regard to pay inflation, although a limited provision for general inflation has also been made in some departmental budgets in recognition of certain budget issues affecting these departments.

An allowance for the pay awards of non-teaching employees of approximately 3.09% (£1.643 million) with effect from 1 April 2001 has been made. With regard to teachers, the provision for the pay award included in the revenue budget (£2.350 million) reflects that funding provided at present by the Scottish Executive for implementing the McCrone Committee recommendations. As noted in Section 3.1 above, this sum will require to be amended at a later stage to reflect those additional funds (£69.6 million) which are to be forthcoming from the Scottish Executive for this initiative.

Allowance has been made in the 2001/02 revenue budget for those unavoidable costs in relation to inflation e.g. rates increases. The impact of other inflationary pressures e.g. general price increases in supplies, will require to be absorbed within departmental cash limited budgets. It should be noted that the savings totalling £1.1 million referred to above exclude the further cost reviews which departments may need to undertake to absorb the impact of non-pay inflation.

3.4 Provision for Contingencies (Other Than Funds)

In light of the significant difficulties which departments faced in attempting to achieve their budget savings targets, it was considered that no unhypothecated budget provision be held centrally.

Consequently, it must be stressed, for the avoidance of any doubt, that the departmental budgets set are "Cash Limited Budgets" within which departments must contain their 2001/02 actual expenditure. Strict accountable management will need to apply with departments utilising virement facilities to ensure that an overspend situation does not occur. The rules concerning virement are included in Section 4 of the Council's current Financial Regulations.

3.5 2000/01 Projected Outturn

The Council are asked to note that based on the latest projected outturns of year end net expenditure for all Council departments, the Council's General Fund is expected to show a surplus of around £4.0 million as at 31 March 2001. This is after a £1.0 million contribution to Special Funds (see Section 3.6 below). It should be borne in mind, however, that this position cannot be assessed with certainty until the 2000/01 accounts of Angus Council have been prepared. In addition, experience has shown that projected outturn estimates can change significantly in the last month of the financial year depending on prevailing weather conditions, particularly in respect of roads winter maintenance, heating costs, and so on.

3.6 Earmarking of General Fund Balances

Members may recall from Report 167/01 (Finance and Information Technology Committee 30 January 2001), which recommended further contributions to the Council's Special Funds, that it was anticipated that a projected balance of some £5.0 million would be available as at 31 March 2001. Allowing for a General Fund balance contingency for 2001/02 of 2.5% of the Council's net budget (£3.75 million) enabled a contribution of £1.0 million to be made to the Council's Special Funds during 2000/01 leaving uncommitted General Fund balances of £0.25 million over and above the contingency sum (i.e. £4 million in total).

3.7 Contributions to / from Council Funds and Balances

As noted above, Report 167/01 recommended that contributions of £1.0 million to the Council's Special Funds be made during 2000/01. No contributions to / from the Council's Funds and Balances have yet been considered in the context of the 2001/02 budget process.

In terms of any further contribution to the Council's Funds and Balances, and in light of the current financial climate, it may be considered appropriate that a reasonable level of further contingency funding in the form of a reserve be set aside. This would provide the Council with the flexibility to meet essential but unforeseen expenditure if and when such expenditure should become necessary. The importance of sustaining such a reserve position is pivotal to the financial framework of the Council given the very tight budgets which have had to be set for Council departments and the inherent risk therein. These issues will be further considered as part of the Special Budget setting meeting of the Council.

Members are advised, however, that no contribution to the Council's Insurance Fund is considered necessary for 2001/02. Consideration of any further necessary contributions to the Insurance Fund will be made in future years budgets.

3.8 Unified Business Rate

The Scottish Executive has announced that the provisional Unified non-domestic rate poundage for 2001/02 is 47.0p.

3.9 Allowance for Non-Collection

An element of non-collection of Council Tax will exist and given recent collection trends it is considered prudent to make a 4% non-collection allowance. Members will be aware that Angus Council also acts, on a fee paying basis, as collection agent for the North Of Scotland Water Authority (NOSWA). The anticipated large increase in NOSWA charges for 2001/02 may therefore have an adverse effect on Council Tax collection levels and thus further emphasises the need to make an adequate allowance for non-collection. The allowance for non-collection agreed by the Council last year in setting the 2000/01 Council Tax was 4%.

3.10 Balance of 2001/02 Estimated Net Expenditure to be met from Council Taxes

A more detailed analysis of the estimated net expenditure to be met from Council Taxes is set out in the Council Tax Calculation Statement attached at Appendix 3. A summary is given in the table below:

	£'000
Net Expenditure (per Appendix 2)	145,779
<u>Deduct</u> Aggregate External Finance (AEF) - as adjusted	<u>(116,706)</u>
Net Expenditure to be met by Council Tax (Before Balances)	29,073
<u>Add</u> Further Contribution to / from Council Funds and Balances	<u>to be determined</u>
Net Expenditure to be met by Council Tax	to be determined
Tax Base for Council Tax Calculation Purposes (@ 96% collection)	37,452*

* if the Band D Council Tax were £1 it would yield £37,452 of income

3.11 Council Tax Valuation Bandings

The Council is required to set the Council Tax based on Valuation Band D. The Council Tax Charge for properties in the other Valuation Bands is calculated with reference to Band D. The Valuation Bandings used in the calculation of Council Tax are shown in Appendix 4 for information.

4. FURTHER STEPS TO BE TAKEN TO DETERMINE THE COUNCIL TAX

In order that the Council may determine the 2001/02 Band D Council Tax charge, a number of decisions require to be taken as follows :-

- a) Approval of the estimated level of non-collection of the Council Tax to be used in calculating the estimated effective pound product of Charge. A non-collection allowance of 4% is recommended.
- b) Determination of any contributions to or from Council Funds and balances considered necessary.

5. CONSULTATION

The Chief Executive and the Director of Law and Administration have been consulted in the preparation of this report.

6. CONCLUSION

The setting of the Council Tax effectively represents the conclusion of the general fund revenue budget process. Final budgets for each department, based on the decisions made at the Council Tax setting meeting, will be issued in the near future to allow budget monitoring processes to begin early in the new financial year.

Amendment to departmental budgets will be necessary to reflect those additional funds to be forthcoming from the Scottish Executive in respect of the McCrone committee recommendations and Long Term Care of the Elderly. Further reports will be brought to committee in this regard as appropriate.

The support and co-operation of all of the Council's staff involved in the preparation of the revenue budget is greatly appreciated.

DAVID S SAWERS
Director of Finance

NOTE: No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information), were relied on to any material extent in the preparation of this report.

GLOSSARY OF TERMS

Aggregate External Finance (AEF)

This is the funding which is outwith Council control, i.e. is determined by Central Government. The Government sets the level for public expenditure, including the Scottish Executive allocation for local authorities, during its budgeting exercise, and thereafter there is an allocation to each of the local authorities. AEF includes Revenue Support Grant, Non-Domestic Rate Income and Specific Grants and is paid by the Executive to help finance the cost of services.

Council Tax/Council Tax Band

The Council Tax is a part property related tax and a part personal tax, a combination of the previous rates system and community charge. In respect of property, however, the tax is not related to an estimated rental income (as rates were) but to an estimated capital value which should be more readily assessed. In addition, there is a "personal" element retained in the tax in that there is a 25% reduction where there is only a single occupant in a property. The government has set eight basic valuation bands for the Council Tax within which property is grouped. The valuations range from Band A (up to £27,000) which incurs two-thirds of the basic charge (Band D), to Band H, the highest range (property valued at over £212,000), which incurs twice the Band D level of charge.

Council Tax Base

So that the tax level can be estimated, there has to be a conversion of the different numbers of properties in the various bands to the number of properties in the basic band, Band D. So for every Band H house there will be "two Band D houses" and similarly, for every three Band A houses there will be only two Band D houses, so far as tax base estimation is concerned.

Grant Aided Expenditure (GAE)

The Scottish Executive determine each year a level of expenditure in relation to all Scottish local authorities. This expenditure is determined and allocated through a complex formula known as Client Group Assessments of Relative Need. In order to provide a 3 year grant settlement covering 2001/02 to 2003/04, the formula has been amended for the two later years for estimates of population change only with other variables remaining fixed. GAE forms the basis for grant allocations to local authorities.

GAE is a term not now being used by the Scottish Executive but it is helpful to retain it for budget analysis purposes at a local authority level.

Other Housing (Non-HRA)

The housing expenditure of the Council is divided into two sections - the Housing Revenue Account (HRA) which relates to Council housing expenditure and the non-HRA which covers the housing expenditure not involving Council housing, i.e. grants for the improvement and repair of private housing and housing benefits, etc..

Renewal and Repairs (R & R) Fund

Funds maintained by the Council into which contributions can be made and from which there can be money made available for unforeseen items of expenditure. The Council currently has six R & R Funds for unforeseen items of a repair or renewal nature in the areas of Property, Roads, Information Technology, Equipment, Vehicles and Print & Design Unit.

Unified Business Rate

The level of non-domestic rate set by the Scottish Executive in respect of business and commercial premises.

Angus Council Provisional Revenue Budget 2001/02

Summary Statement of Net Expenditure	2000/01 Final Budget £'000	Provisional Base Budget 2001/02 £'000	Proposed Savings £'000	Revised Provisional Base Budget 2001/02 £'000
(A) Direct Services				
Education	52,928	53,599	(533)	53,066
Social Work	23,376	25,822	(236)	25,586
Roads	5,298	5,284	(53)	5,231
Cultural Services	2,078	2,172	(22)	2,150
Environmental & Consumer Protection	5,727	6,130	(60)	6,070
Planning & Transport	2,085	2,106	(21)	2,085
Recreation Services	5,281	5,504	(54)	5,450
Miscellaneous Other Services	1,234	1,409		1,409
Other Housing	1,235	1,237		1,237
Economic Development	523	565	(5)	560
Training Services	180	180	(5)	175
Finance (Revenues)	1,199	1,234	(12)	1,222
Civil Defence	12	74		74
Print Unit	5	10		10
Registrars	100	116	(1)	115
Employment Disability Unit (EDU)	69	75		75
Contract Services (Net Surplus)	(420)	(489)		(489)
Sub-Total	100,910	105,028	(1,002)	104,026
(B) Central Support Services				
Chief Executive (including Members' Services)	1,246	1,252	(12)	1,240
Finance (General)	1,444	1,522	(15)	1,507
Law & Administration (including HQ Buildings)	2,095	2,188	(20)	2,168
Information Technology	1,087	1,115	(11)	1,104
Personnel (excluding EDU)	737	817	(5)	812
Property Services	1,275	1,321	(13)	1,308
Local Offices	239	204	(4)	200
Deduct: CSS Recharge to Non-General Fund Services	(1,558)	(1,565)		(1,565)
Sub-Total	6,565	6,854	(80)	6,774
(C) Joint Boards				
Police (excluding Loan Charges)	14,059	15,057		15,057
Fire (excluding Loan Charges)	3,265	3,494		3,494
Valuation (excluding Loan Charges)	626	649		649
Sub-Total	17,950	19,200	0	19,200
(D) Joint Arrangement				
Tayside Contracts (Net Surplus - Angus Share)	(210)	(210)		(210)
Sub-Total	(210)	(210)	0	(210)
Sub-Total of A, B, C and D	125,215	130,872	(1,082)	129,790
Add:				
Surplus Local Tax Income	(660)	(700)		(700)
Loan Charges (incl. Police, Fire & Valuation Jnt Brd Elements)	9,308	9,085		9,085
Specific Government Grant within Departmental budgets	2,980	3,611		3,611
Pay Award Provision (All Staff Except Teachers - Note 1)	-	1,643		1,643
Pay Award Provision (Teaching Staff - Note 2)	-	2,350		2,350
NET EXPENDITURE (Before Contribution to Funds and Balances)	136,843	146,861	(1,082)	145,779
Contributions to Special Funds	2,265	to be determined		to be determined
TOTAL NET EXPENDITURE (Before Government Grant)	139,108	146,861	(1,082)	145,779

Note 1 - The 2000/01 pay award provision for these staff has been allocated to departmental budgets. The 2001/02 provision equates to 3.09%.

Note 2 - The 2000/01 pay award provision for Teaching staff has been allocated to the Education budget.
The 2001/02 provision reflects the funding so far allocated by the Scottish Executive for implementation of the McCrone recommendations. Some £69.6m of the funding for McCrone in 2001/02 has yet to be allocated to Councils by the Executive and so is not reflected in the Pay Award Provision at present. Once the Angus Council share of the £69.6m has been confirmed an equivalent amount will be added to the Education 2001/02 revenue budget as a supplemental budget allocation.

Revenue Budget 2001/2002**Council Tax Calculation Statement**

	<u>£000</u>	<u>£000</u>
Net Expenditure before Government Grant		145,779
<u>Less: Aggregate External Finance as advised by the Scottish Executive</u>		
Revenue Support Grant	(71,848)	
Non-Domestic Rate Income	(33,342)	
Specific Grants	<u>(11,494)</u>	(116,684)
Adjustment to Specific Grant Estimate		(22)
Adjusted Government Grant Position		<u>(116,706)</u>
Net Expenditure To Be Met From Council Taxes (Before Balances)		<u>29,073</u>
<u>Add: Contributions to Funds & Balances</u>		
TO BE DETERMINED		XXXX
NET EXPENDITURE TO BE MET FROM COUNCIL TAX (excluding contributions to Funds and Balances)		<u>29,073</u>
Council Tax Base (Band D equivalent number of dwellings)		No. 39,012
Less: Recommended Provision for non-collection (4%)		<u>(1,560)</u>
Revised Tax Base		<u>37,452</u>

COUNCIL TAX BANDINGS

By law, properties subject to Council Tax have to be related to a Band D property valuation level, (referred to as the Council Tax Base). Band D refers to properties valued at between £45,001 and £58,000.

The following table indicates bands, the relationship of the Council Tax level at Band D to other Bands.

VALUATION	BAND	COUNCIL TAX
Up to £27,000	Band A	6/9 ^{ths} of Band D
£27,001 to £35,000	Band B	7/9 ^{ths} of Band D
£35,001 to £45,000	Band C	8/9 ^{ths} of Band D
£45,001 to £58,000	Band D	1 or 9/9 ^{ths} of Band D
£58,001 to £80,000	Band E	11/9 ^{ths} of Band D
£80,001 to £106,000	Band F	13/9 ^{ths} of Band D
£106,001 to £212,000	Band G	15/9 ^{ths} of Band D
Over £212,000	Band H	18/9 ^{ths} of Band D

The committee should note that the legislation allows them only to determine the level of Council Tax at Band D and that the relationship between Band D and the other bands are fixed and cannot be adjusted.