

REPORT

To: FINANCE COMMITTEE		Subject: REVENUE BUDGET 1998/99
From: DIRECTOR OF FINANCE		
Date: 27 February 1998	Ref: JM/CP	

1. Introduction

I refer to (1) my reports of 26 November and 26 January on the subject of the Scottish Office Circulars 19/97 and 20/97 and (2) the recommendations on the base estimates, proposals on savings and review of fees and charges, to be submitted by the Service Committees to the Finance Committee.

Appendix 1 to this report shows the movements between the 1997/98 and 1998/99 budgets and the total savings (£19,301,000) required to keep within the capping limit of £346,691,000. The foregoing figure does not include the additional capping flexibility (£839,000) in terms of Scottish Office Circular 3/98 a copy of which is attached.

The "Spend to Save" Scheme, which was introduced for the current financial year, is being made available again to enable councils to use part of their composite capital allocation to meet the cost of early retirals etc. In calculating the savings required, it has been assumed that the Council will wish to take advantage of this scheme in relation to the 1998/99 Budget. Similarly, the power to spend an amount equal to the "additional" local taxation collected during 1998/99 (£2,000,000) has also been utilised.

2. Departmental Savings

Appendix 2 summarises the anticipated savings (totalling £7,779,000) resulting from the review of those savings included in the Departmental Service Plans (as amended) to be considered by the Service Committees. The adjustments made to the CSPs (now incorporated in the base budgets), the foregoing Service Committee savings, the additional income from the review of charges to be submitted by the Service Committees, the reduction in the precepts from the Joint Boards, the additional funding in support of the Government's Education priorities (see para 3), all contribute £13,891,709 to the overall figure required, leaving £5,409,291 still to be found from corporate savings etc.

3. Disregards

Reference has already been made, in an earlier report, to the "disregards" ie. quantified amounts of expenditure on specific items which the Council can incur in excess of the capping limit. The largest element of the total disregard relates to the additional support provided by the Secretary of State for the Education service (£5.215 m), the others being the annual disregard for "Care in the Community" (£1.479 m), "Pennington" (£0.141 m) and miscellaneous disregards of £41,000.

Of the Education disregard, £1.078 m relates to revenue support for capital investment and the balance of £4.137 m is in support of the revenue expenditure priorities outlined in the Scottish Office Circular 6/97.

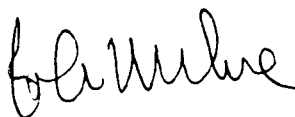
4. Council Tax 1998/99

Appendix 3 demonstrates that, at 31 March 1998, the Council will have, in its General Fund, an estimated surplus amounting to £4,048,000. All or part of this surplus may be used to enhance the composite capital allocation for 1998/99. The Council will need not only to make a decision on the use of this surplus, but will have to determine the extent to which it wishes to restore balances and the allowance to be made for bad debts. Appendix 4 shows the amount to be raised from Council Tax during 1998/99 after taking account of income from Revenue Support Grant and Non-Domestic Rates but before any adjustment for surpluses at 31 March 1998 and before any restoration of balances.

5. Conclusions

The Finance Committee is asked to make recommendations to the Policy and Resources Committee in relation to the following :

- 1) The use, or otherwise, of the additional capping flexibility announced in Circular 3/98.
- 2) The participation in the "Spend to Save" Scheme.
- 3) The utilisation of the power to spend "additional" Council Tax and Community Charge collected during 1998/99.
- 4) The base budgets incorporating the revised CSP adjustments and capital etc. charges, and the review of savings and fees and charges submitted by the Service Committees.
- 5) Other savings and reviews necessary to keep with the capping limits.
- 6) The utilisation of the anticipated surplus at 31 March 1998.
- 7) The restoration of balances.
- 8) The bad debt provision.
- 9) The level of Council Tax to be fixed for 1998/99.



Director of Finance



Finance Circular No 3/1998

The Chief Executive
Scottish Local Authorities

13 February 1998

NORTH Ayrshire Council
17 FEB 1998
DIRECTOR OF FINANCE

Dear Chief Executive

**1998-99 LOCAL GOVERNMENT FINANCE SETTLEMENT
CAPPING FLEXIBILITY SCHEME**

1. The Secretary of State, following consideration of representations from the Convention of Scottish Local Authorities and a number of individual councils, announced today details of a scheme which will allow local authorities the option of extra capping flexibility for 1998-99 in return for surrendering some of their non-housing capital single allocation. The Secretary of State hopes that councils which take up this flexibility will direct the additional spending at Government priorities, such as education.

2. **The scheme will be available only to those councils which ultimately set a Band D council tax increase in 1998-99 of less than £60.** Those local authorities may apply to give up some of their section 94 capital consent for 1998-99 and in return will be allowed to increase their capped expenditure in 1998-99 by the same amount, on top of the maximum capping limits previously issued in Finance Circular No 19/1997, dated 12 December 1997 or any adjusted capping limits subsequently notified to individual councils. This flexibility to give up capital allocation and increase capped expenditure will be limited to no more than 0.25% of a council's adjusted 1997-98 budget: the Annex to this circular gives the maximum flexibility available for each council. For the purposes of calculating the £60 council tax increase threshold the effects of the District Equalisation scheme on 1997-98 council tax levels should be discounted.

3. This flexibility will be available for 1998-99 only and any additional expenditure incurred above the capping limits in Finance Circular 19/1997 will **not** be included in the base budgets used for capping purposes in 1999-2000 and beyond.

4. Since local authorities will be voluntarily giving up capital consent to qualify for this scheme, Ministers have made clear that they would not expect to receive representations for additional capital consent in the course of the financial year from any council which chooses to participate in the flexibility scheme.

5. Applications for participation in the Capping Flexibility Scheme should state the amount of capital allocation the council wishes to surrender in 1998-99, in whole £1,000s (no supporting information is required). Provided that the amount applied for meets the conditions set out in paragraph 2 above, authorities will then be permitted to increase their capped expenditure by an equivalent amount (no additional revenue grant will be payable in respect of the increase in capped expenditure). Deductions may only be made from the formula based single non-housing capital allocation ie deductions from HRA, ring-fenced or other specific allocations are not permitted. Applications should be submitted **no later than 6 March 1998**. Applications received as at 6 March will be taken to be final applications and no alterations to the amount applied for will be considered after that date. Applications should be submitted to:

Miss E Ure
The Scottish Office
Local Government Division 2
(Capital Finance Branch)
Area 3-J
Victoria Quay
EDINBURGH
EH6 6QQ

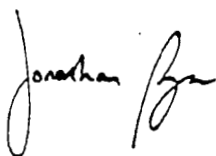
Enquiries

6. Any enquiries about this Circular should be addressed to the following:

Subject	Contact	Telephone
The additional capping flexibility scheme	Jonathan Pryce	0131-244-7012
Individual capping limits	Bill Stitt	0131-244-7013
Section 94 capital consents	Liz Ure	0131-244-7021

7. An additional copy of this Circular is enclosed for the Director of Finance. A copy also goes to Albert Tait and Norie Williamson at COSLA.

Yours faithfully



JONATHAN PRYCE

ANNEX

COUNCILS	MAXIMUM ADDITIONAL CAPPING FLEXIBILITY £000
Aberdeen City	528
Aberdeenshire	552
Angus	280
Argyll & Bute	276
Clackmannanshire	130
Dumfries & Galloway	397
Dundee City	459
East Ayrshire	319
East Dunbartonshire	254
East Lothian	216
East Renfrewshire	204
Edinburgh City	1,084
Eilean Siar	132
Falkirk	348
Fife	904
Glasgow City	2,039
Highland	607
Inverclyde	252
Midlothian	217
Moray	226
North Ayrshire	352
North Lanarkshire	839
Orkney	86
Perth & Kinross	333
Renfrewshire	459
Scottish Borders	282
Shetland	161
South Ayrshire	284
South Lanarkshire	761
Stirling	225
West Dunbartonshire	299
West Lothian	401

Calculation of Excess over Capping Limit 1998/99

	<u>£000's</u>	<u>£000's</u>
1997/98 Capped Budget		336,588
Add		
1. 1997/98 General Increases		
1997/98 Pay Award Shortfall (0.5%)	929	
1998/99 Pay Award at 3.0%	5,765	
Employer's Superannuation Increase	980	
DLO/DSO Surplus Reduction	1,500	9,174
2. Joint Board Increases		1,600
3. Current Service Provision Increases (CSP's)		
Education	(1,147)	
Environmental Services	393	
Leisure Services	2,878	
Planning & Development	4,037	
Social Work	2,116	
Housing Non-HRA	3	
District Court & Licensing	4	
Registrar Births , Deaths & Marriages	5	
Children's Panel Expenses	10	
Collection of Local Taxation	348	
Miscellaneous Services	1,483	
Chief Executive	(5)	
Administration - Legal, Central & Personnel	83	
Finance and Information Technology	177	
Construction Services	10	10,395
4. Other Expenditure Increases		
Possible Service Enhancements and mainlining of urban programme during 1998/99		1,400
5. Government Recognised Service Enhancements/Increases		
Improving Standards in Education	4,137	
Spend to Save by Investing in School Buildings (CFCR)	1,078	
Increase in Community Care Provision	1,479	
Implementation of Pennington Report	141	<u>6,835</u>
Total Expenditure Relevant for Capping Purposes 1998/99		365,992
Capping Limit 1998/99 (excluding 0.25% of additional Capping permissible under Scottish Office Circular 3/98)		<u>346,691</u>
Total Excess over Capping Limit 1998/99		<u><u>19,301</u></u>

**Anticipated Savings Resultant From
The Review of Departmental Service Plans**

	<u>£000's</u>	<u>£000's</u>
Education	1,600	
Environmental Services	703	
Leisure Services	1,133	
Planning & Development	787	
Social Work	2,222	
Housing Non-HRA	109	
Chief Executive's	136	
Administration	307	
Finance and Information Technology	500	
Construction Services	250	
Miscellaneous Services	32	
Total Anticipated Savings		<u><u>7,779</u></u>

Estimated General Fund Surplus as at 31 March 1998

Shortfalls		£	£
<u>Departmental Shortfalls</u>	- Leisure Services		1,000,000
<u>Contract Inflation Shortfalls</u>	- Leisure Services	300,000	
	- Environmental Services	<u>1,000,000</u>	1,300,000
<u>Gartcosh Public Enquiry</u>			600,000
<u>Redundancy and Lieu of Notice Payments Above Spend to Save Scheme</u>			2,000,000
<u>Possible DLO/DSO Surplus Reductions</u>			1,800,000
<u>Redetermination of Revenue Support Grant 1997/98</u>			125,000
<u>Further Adjustments to SRC Balances</u>	- Reduction in Reported Deficit	(400,000)	
	- Payment of Interest Charges etc. by Glasgow on behalf of SRC	<u>1,800,000</u>	1,400,000
			<u>8,225,000</u>
TOTAL SHORTFALLS			
Savings			
<u>Departmental Savings</u>	- Social Work (Reducing similar level of Redundancy Payments- see above)	1,000,000	
	- Education	1,800,000	
	- Finance	200,000	
	- Administration	200,000	
	- Chief Executive	25,000	
	- Construction (10% of net saving to Revenue)	15,000	
	- Urban Programme	<u>45,000</u>	3,285,000
<u>Increase in 1996/97 Surplus</u>			1,294,000
<u>Increase in Council Tax Collection</u>			1,200,000
			<u>5,779,000</u>
TOTAL SAVINGS			
NET SHORTFALL			
			2,446,000
Add			
<u>Restoration of Balances 1997/98</u>			<u>6,494,000</u>
TOTAL PROJECTED SURPLUS 1997/98			
(an amount of which may be used to assist in the 1998/99 Capital Programme as CFCR)			
			<u>4,048,000</u>

Amount to be Raised From Council Tax Payers 1998/99

	£000's	£000's
1997/98 Estimate		357,687
Add :		
<u>Movements during 1998/99</u>		
1. Increase to Capping Limit	10,103	
2. Increase in Capital Financing Costs	2,618	
3. Adjustment to Home Loan Repayments	(116)	
4. Reduction in Urban Programme Expenditure	(73)	
5. Council Tax Benefits Increase	100	
6. Housing Rent/ Allowance Benefit Increase	271	
7. Increase in Specific Grants	(607)	
8. Increase in Police Non-Relevant Expenditure	160	
9. Reduction in Leasing Charges	<u>(150)</u>	<u>12,306</u>
Total Revised Estimates 1998/99		369,993
Total Budgeted Expenditure	£ 369,993,000	
Aggregate External Finance	£ <u>297,130,000</u>	
Total to be met from Council Tax	£ <u><u>72,863,000</u></u>	
Band "D" Equivalent Properties	<u><u>98,065</u></u>	