

ABERDEEN CITY COUNCIL

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COMMITTEE	Council
DATE	14 February 2013
DIRECTOR	Stewart Carruth (Director of Corporate Governance)
TITLE OF REPORT	Five-Year Business Plan 2013/14 to 2017/18, Corporate Workforce Plan, Annual Report, General Fund Revenue and Capital Budget 2013/14 and Indicative Five-Year Budgets – <b><u>UPDATED POSITION</u></b>
REPORT NUMBER:	CG/13/10

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**Five-Year Business Plan 2013/14 to 2017/18, Corporate Workforce Plan, Annual Report, General Fund Revenue and Capital Budget 2013/14 and Indicative Five-Year Budgets**

**Additional Information and Update**

The Council is financed by the Scottish Government and this is notified in a Finance Circular. The Finance Circular is numbered to reflect the edition and year in which it was issued.

In preparing the Five-Year Business Plan 2013/14 to 2017/18, Corporate Workforce Plan, Annual Report, General Fund Revenue and Capital Budget 2013/14 and Indicative Five-Year Budgets Report the most up to date Circular was used. This was Finance Circular 5/2012.

The Scottish Government in passing the Local Government Finance (Scotland) Order 2013 on 7 February 2013 issued Finance Circular 1/2013 which provides the Council with its approved funding for 2013/14.

In passing the above Order a significant change was announced on funding to the Council. This is additional grant to partly cover the abolition of Council Tax Benefit on 31 March 2013 and replace it with the Council Tax Reduction Scheme.

This change impacts on the presentation of financial information and the movement can be clearly seen if you compare the Whole of Scotland figures contained within the two Finance Circulars, shown as Appendix 1.

This shows that the revised circular includes additional amounts for Council Tax Reduction (£262.4 million for the whole of Scotland that is allocated) and an additional £65.6 million that is yet to be allocated. Therefore it has been assumed that Aberdeen City Council will receive the same percentage share of this allocation as it has for the amount that has been allocated.

What this means for Aberdeen is that the allocation of council grant funding is going up. However, the revised Appendices to the original budget report, attached as Appendix 3 to this note, shows that there is a corresponding reduction in the amount of Council Tax collectable.

### **Welfare Reform – Council Tax Reduction**

From the 1 April 2013 Councils will no longer recover Council Tax Benefit from the Department for Works and Pensions (DWP). Rather the applicant will be able to apply for a Council Tax Reduction. As such the level of Council Tax income will be reduced and this will be offset by a corresponding increase in General Revenue Grant which the Scottish Government will receive from the United Kingdom Parliament.

In overall terms the United Kingdom Parliament expect there to be an overall reduction in cost of around 10% in the total amount of Council Tax relief that is applied. However, the Scottish Government estimate that this “relief” will still exist and has allocated additional funding of £537,000 to Aberdeen City Council. The Council has provided £1 million provision to meet the potential cost (estimated to be approximately £400,000).

The full impact of Council Tax Reduction is calculated and shown as Appendix 2 to this note and demonstrates how the total level of Council Tax Benefit (based on the Mid-Year DWP Claim estimate 2012/13) will be financed in 2013/14.

As the level of grant has increased the overall Council funding position as shown in Appendix 1 and 2 of the original budget report have now been revised and replaced with the revised Appendix 3 and 4 attached to this briefing note. There is no change to the overall budget position (other than minor adjustments in years 4 and 5) rather the presentation of values has been amended.

The table shown in the report under paragraph 5.1 will also change. It is reproduced below for ease of reference:

<u>Note</u>	<u>Funding</u>	<u>£ million</u>
1	General Revenue Grant	143.246
1	Non Domestic Rates	177.084
	Teacher Induction Grant	0.991
2	Council Tax (including Arrears)	99.793
		<u>421.114</u>
	Add:	
	Trading Services/Other Grants	11.870
	<b>Total Funding</b>	<b>432.984</b>
	 <b><u>Projected Expenditure</u></b>	
	Current Estimated Spend	438.525
	Deduct: Introduction of Risk	
3	Fund Approach	(5.541)
	<b>Total Projected Expenditure</b>	<b>432.984</b>
	 Net Spend	 <b>0</b>

**Note 1** – This is the total funding notified to the council per the current Finance Circular 1/2013 available based on non-domestic rates and general revenue grant (amended to reflect the deduction of police and fire grant and adjustment for Council Tax Reduction).

**Note 2** – A review of council tax has been undertaken and it is estimated that a small increase in the band D equivalent properties for 2013/14 can be anticipated. It is also estimated that approximately £10.6 million will not be collectable under the council tax reduction scheme.

**Note 3** – This is the introduction of a risk fund based approach to dealing with in-year cost pressures that, given the inherent under spend being reported, will be absorbed from within existing budgets during the year if they should materialise.

### **Barnett Consequentials**

As a result of the Chancellor of the Exchequers Autumn Budget Statement additional resources were entitled to the Scottish Government. As such, revised capital grant figures are included within the overall settlement and Appendix 4 reflects this change. This movement was anticipated.

### **5 Year Business Plan**

Due to the funding position contained within the Finance Circular 1/2013 being altered for Council Tax Reduction it is also necessary to replace three tables contained within the plan. These are as follows:

Paragraph 6.1 which provides how the Council is funded should now be read as follows for the funding split:

General Revenue Grant	23%
Non Domestic Rates	32%
Council Tax Collectable	16%
Fees and Charges	29%

Also, Figure 7 has an amendment to reflect that the grant level now includes grant funding for the Council Tax Reduction and should be read as follows (with the assumption that the 2013/14 Council Tax Reduction is maintained for future years for ease of comparison):

	2013/14	2014/15	2015/16	2016/17	2017/18
General revenue grant	-1.97%	-9.44%	0.00%	0.00%	0.00%
Non-domestic rates	7.60%	9.40%	1.80%	3.54%	4.40%
Combined movement	0.34%	0.80%	1.10%	2.20%	2.80%

Finally, Figure 8 should also now read as follows:

	Year 1	Year 2	Year 3	Year 4	Year 5
	2013/14	2014/15	2015/16	2016/17	2017/18
	£'000	£'000	£'000	£'000	£'000
Funding	(432,984)	(436,559)	(445,470)	(451,361)	(455,800)
Net Forecast Spend	432,984	447,910	452,187	466,672	476,276
Surplus/(Deficit)	<b>0</b>	<b>(8,297)</b>	<b>(6,717)</b>	<b>(15,311)</b>	<b>(20,476)</b>

The issued version of the 5 Year Business Plan will incorporate the above changes.

## REPORT AUTHOR DETAILS

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