

**DRAFT GENERAL FUND REVENUE BUDGET, CAPITAL PROGRAMME AND COUNCIL TAX
2007-08**

EXECUTIVE MEMBER: Councillor Elaine Woodburn

LEAD OFFICER: Sue Borwick

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Summary: To recommend to Council the 2007-08 Revenue Budget and additions to the Capital Programme and to inform members of the estimated Council Tax to be levied for the financial year 2007-08.

<p>Recommendation: That the Executive recommends to Council that:</p> <ol style="list-style-type: none">1) To increase the base budget from £9,594,101 to £10,158,076, including recurring bids of £340,150 as detailed in Appendix A.2) To agree non-recurring revenue bids of £876,522 as detailed in Appendix B3) To approve additions to the capital programme for 2007-08 of £1,262,285 as detailed in Appendix C.4) To utilise the resources as identified in paragraph 5, for the 2007-08 budget. – Appendix D5) To delegate the approval of the Council tax base to the Chief Finance Officer in consultation with the Leader of the Council6) To set the Budget Requirement at £10,605,775 for 2007-087) That BWP resume in January 07, to consider ways in which reductions to the recurring base budget can be made.

**Impact on delivering
Corporate Plan
objectives:**

The budget process is fully integrated into the planning process of the Council embracing all the objectives of the Council

**Impact on other statutory
objectives (e.g. crime &
disorder, LA21):**

As above

**Financial and human
resource implications:**

The recommended budget is set within the overall resources of the Council after taking into account the provisional Revenue Support Grant Settlement. The recommended Council Tax Levy for 2007-08 is £10,605,775 for this Council. This would result in an estimated Council Tax for a Band D property of £161.54 (Copeland share), 6p per week increase.

Project & Risk Management:

The Local Government act 2003 requires a report from the Chief Finance Officer on the robustness of the estimates and the adequacy of reserves. These will be reported to the Executive on 20th February and in the Council report of the 27th February 2006.

Key Decision Status

- **Financial:** Yes
- **Ward:** Affects all wards

Other Ward Implications: Affects all wards

1. INTRODUCTION

- 1.1 A report was approved by Executive on 4th July 06, which outlined the budget strategy to be followed. This report set out the timetable for the budget process It was agreed to continue with the officer led Resource Steering Group together with the Budget Working Party. This report also set out the timetable to be followed and the consultation exercises that would be undertaken.
- 1.2 The Budget and Policy Framework approved in the constitution allows for a conflict mechanism if the Council does not agree with proposals by the Executive. No figures have yet been received from the County Council or Police Authority, some parish precepts are outstanding and the Formula Grant settlement (revenue support grant from central government) is draft. Therefore at this stage, only the level of Council tax relating to Copeland can be recommended.
- 1.3 Much of the detailed work of the budget preparation has been undertaken by Accountancy together with the Resource Steering Group. The proposals have then been put forward to the Budget Working Party for consideration. Meetings have been held regularly with the Budget Working Party, and their recommendations are included in this report.
- 1.4 A separate meeting open to all OSCs has also taken place, where Members were consulted on the process and recommendations made to date.

2. FORMULA GRANT SETTLEMENT

- 2.1 The draft settlement for the Government's revenue support, known as Formula Grant, has been announced. This is made up of two parts as follows:

Revenue Support Grant – general grant to support revenue and

Redistributed Business rates (NNDR pool) – as a Council we collect Business Rates /NNDR (National Non-domestic rates) for our area on behalf of central government. These are pooled with other districts and redistributed to local authorities based on population.

- 2.2 On the 28th November, the Minister of State for Local Government announced the proposed local government finance settlement for 2007/08, and launched a consultation on the proposals, ending on 5 January 2007. The settlement confirms the increased investment in local services announced last year as part of the first multi-year settlement for local

government, where allocations for all English local authorities were announced for 2006-07 and 2007-08.

- 2.3 There are no figures from Government for 2008-09 and beyond. Those will appear next summer. The Comprehensive Spending Review 2007 will lead to a 3 year Revenue Support Grant Settlement covering the years 2008-09, 2009-10 and 2010-11. It will be helpful to have figures for three years ahead. The main issue will be how generous or tough those figures will be. All the indications point to a reduced level of public sector growth in the future.
- 2.4 The draft Formula Grant for Copeland is £7,028,609 for 2007-08, which is in line with expectations. This is a cash increase of 3.49% from 2006/07
- 2.5 Again, the Government has confirmed that it expects the increase in Council Tax levels to be no more than 5% and intends to cap any authority that goes above the 5% increase.

3. THREE YEAR BUDGET STRATEGY

- 3.1 Over the last few years there has been significant unavoidable growth in the recurring base budget. One area where the Council has invested heavily is in technology and the requirements of E-Government. This has led to increased costs of software licences. Also on the horizon will be the outcomes from the Pay and Workforce Strategy, and changes to how much Copeland, as an employer, has to contribute to the Superannuation (Pension) Fund.
- 3.2 The need to find savings in the base budget is now essential as predicted spending levels are not sustainable.
- 3.3 Based on the estimated figures at present of the Grant settlement, tax base etc, the base budget is 95.78% of the total Levy from Council tax,
- 3.4 The Budget Strategy is to keep the Revenue Base Budget, i.e. annual continuing expenditure, within 95% of annual revenue income brought in from Council tax, Government grants and fees. This leaves 5% to pay for one off non-recurring items.

4 BIDS FOR CHANGE- RECURRING, NON RECURRING AND CAPITAL

- 4.1 During the budget process it is necessary to consider if there are any requirements to increase current annual spending in revenue areas (recurring bids), any one off requirements (non recurring bids) and any proposed capital schemes.
- 4.2 The consultation process for 2006-07 worked very well, and so it was decided to build on this, for 2007-08. The Communications Manager updated the Questionnaire so that the public could inform us what their preferences for spend would be. This was also made available to a wider audience through the use of local media and by placing in on the Council's website.
- 4.3 Members of BWP together with Accountancy also visited each of the Neighbourhood Forums to gain support for the budget process. A presentation was made describing the main items of income and expenditure, and how important it is for us to ensure that the small amount of discretionary budget that is available is allocated to the areas that the public most support. The questionnaire was also distributed at these meetings.

- 4.4 This year the Prioritisation Matrix has also been revised, by a sub-group of OSC P&R, to take account of the objectives of the draft Corporate Plan. All submitted bids are put through this Matrix and the scores are feedback to members of BWP, and used to assist with the decision making process.
- 4.5 All bids have been considered by the Resource Steering Group, Budget Working Party and by a joint OSC meeting. In making their final recommendations these groups have taken on board all the feedback received from the completed questionnaires and Neighbourhood Forums.
- 4.6 The bids that have been recommended for 2007-08 are as follows and are detailed in Appendices A, B and C

Type of Bid Recommended	£ Amount
Recurring – Appendix A	340,150
Non-Recurring – Appendix B	876,522
Capital – Appendix C	762,285

- 4.7 In addition to the capital bids for 2007-08 it is recommended that a further amount of £400,000 be allocated to Renovation Grants, and £100,000 for Disabled Facilities Grants.
- 4.8 It is not recommended at this stage to allocate more than one years financing to the capital programme. This will be reviewed should we get any additional capital receipts or further funding during the year.

5 FINANCE AVAILABLE

- 5.1 There are a number of other financial resources available to support the budget process, and these are detailed below.
- 5.2 **Under spend from 2005-06** – When the 2005-06 accounts were finalised and presented to Audit Committee, they identified an under spend of £417,000. This is therefore available as a one-off to put towards the 2007-08 budget.
- 5.3 **Capital Receipts from Sale of Assets** – legislation only allows these to be used to fund future capital expenditure. Each year receipts from sale of assets are estimated to be on average £300k per annum.
- 5.4 **Residual Right to Buy receipts (RTB's)** – as at 31st march 2004, the Council had £1,500,000 from the sale of houses, prior to transfer, that had not been used. It was approved that this be used to part fund our remaining commitment to provide private renovation grants and disabled facilities grant for five years, and also approved that the remainder required be funded from the preserved Right to Buy Sales. For the £500,000 per annum we fund, we draw down a further £900,000.

- 5.5 **Preserved Right to Buy Sales** – part of the stock transfer agreement resulted in us receiving £9,000 for the sale of each of the first 250 houses sold after transfer. It was anticipated that this would total £2,250,000. After last year’s approval to earmark £1,000,000 to fund private sector renovations grants and disabled facilities grants, there is approximately £600k left in this reserve.
- 5.6 **Reserves Fund (previously the major projects fund)** - the current balance remaining on the Reserves Fund is £211,890.
- 5.7 **VAT Sharing Agreement** – as part of the stock transfer the Council entered into a VAT sharing agreement with Copeland Homes. £1.4 million was received on transfer, with an agreement that a further amount of up to £2.8 million would be received. The investment programme has now commenced and it is expected that these VAT receipts should start to be received shortly. These will be reported to Executive separately.
- 5.8 **Planning Delivery Grant** - the provisional Planning Delivery Grant (PDG) allocation for 2007/08 is £21,108. It is proposed to utilise £10k of this to fund the non recurring bid for Conservation area Appraisals (NR33)
- 5.9 **Second Homes Discount** – This is the difference between what can be raised by offering only a 10% discount instead of a 50% discount, and is shared 50/50 between the County Council and Copeland. However, the County have given notice that they wish to terminate the sharing agreement. There is a three year notice period and negotiations are currently ongoing at Chief Executive level to minimise the effects of this termination. This income raised from this needs to be spent in consultation with the Local Strategic Partnership (LSP) and discussions will need to be held with the Chair and the details of supported bids reported back to the February Executive.

5.10 SUMMARY of financing proposed: –

	£
Under spend from 05-06	417,000
Planning Delivery Grant	10,000
Capital Receipts	300,000
2nd Homes Discount	100,000
Preserved Right To Buys	364,108
Funds for DFGs and PSRGs	500,000
Sub Total (one offs)	1,691,108
Revenue Support Grant	1,010,040
NNDR Pool	6,018,569
Surplus on collection fund*	250
Council Tax – 2% increase	3,576,916
TOTAL AVAILABLE	12,296,883

*This reflects the difference between the 2005-06 estimated Council Tax collectable at budget time compared to that actual collected during the year.

6 COUNCIL TAX LEVELS, BASE & LEVY

- 6.1 It is no longer a requirement for Full Council to approve the Council Tax Base i.e. the number of equivalent band D's used to calculate the total revenue to be collected from Council tax - **the levy**. It is recommended that approval for the final Council Tax Base to be delegated to the Head of Finance and Business Development in consultation with the Leader of the Council. The estimated figure at this time shows a base of 22,142.60 band D equivalent properties (22,137.67, 2006-07), which has been used to estimate the Council Tax shown in para 10.3. This includes the change in the discount given to second homes.
- 6.2 The Budget Report last year approved a 2% increase in Council Tax for 2007-08. The estimated Council Tax to be collected is derived by multiplying the proposed rate per property (£161.54) by the tax base (22,142.60) giving an estimated collection of £ £3,576,916 (2006-07 £3,505,593). When added to the Formula Grant, the share of the NNDR Pool and the collection Fund surplus the resulting Levy (budget requirement) is:

	£
Revenue Support Grant – provisional	1,010,040
NNDR pool - provisional	6,018,569
Surplus on the Collection Fund – estimated	250
Call on the collection fund – 2% increase in council tax	3,576,916
TOTAL LEVY (budget requirement)	10,605,775

7 BASE BUDGET

- 7.1 The base budget, (annual recurring revenue expenditure) for 2006-07 was £9,594,101. The base budget including growth bids for 2007-08 is proposed as £10,158,076, 95.78% of the total levy. A full reconciliation between the two years will be provided with the final budget report.
- 7.2 Details of the individual service budgets will be made available to members before Executive 20th February 2007 and Council 27th February 2007.

7.3 TOTAL BUDGET 2007-08

Base Budge including Recurring Bids	10,158,076	Appendix A
Non-Recurring Bids	876,522	Appendix B
Additions to Cap programme 2007-08 only	1,262,285	Appendix C
TOTAL	12,296,883	

This is within the finance available as detailed in the table at 5.11

8 FEES AND CHARGES

- 8.1 The Schedule of Proposed Fees and charges will be presented to the Executive on 20th February 2007.

9 COUNCIL TAX

- 9.1 It is not possible at this stage to finalise the level of Council Tax applicable to Copeland as the final RSG settlement has not been received, neither have the precepts from the County, Police and parishes.
- 9.2 Based on the recommended levy and the Council Tax Base the following is an estimate of Copeland Council Tax.
- 9.3 The table below compares the Band D & Band A Council Tax to the previous year.

	2006-07 £	2007-08 £	Increase from previous year £	% Increase	Increase per Week £
Band D	158.37	161.54	3.17	2.0	0.06
Band A	105.59	107.70	2.11	2.0	0.04

- 9.4 The full details of the Council Tax calculations which is required to be presented to Members for formal consideration at Council in line with Section 33 (5) of the Local Government Act 1992 will be presented to members at Council on 27th February 2007.

10 CONCLUSION

- 10.1 Last year was the first year that Central Government gave draft figures, and these have now been proposed in line with expectations.
- 10.2 As the Comprehensive Spending Review is being undertaken, there is no indication of what the next settlement will be, but it is likely to take into account the efficiencies that local government should have made.
- 10.3 In order to estimate the forward budget and medium term plan, an estimated 3% increase has been assumed.
- 10.4 For next year, it has not been possible to contain the base budget within 95% of the estimated levy. At 95.78% there is a shortfall of £82,746, which is a reduction in the amount available for non-recurring and capital.

- 10.5 This position is not sustainable beyond 2007-08, as shown in the Medium Term Plan at Appendix E.
- 10.6 The Budget Working Party will be meeting in January, and with the leadership of the Chief Executive, will be considering the processes needed to reduce the recurring base budget.
- 10.7 The final budget report to Executive and to Council (Feb 20th and 27th 2007) will include a report from the Head of Finance and Business Development on the robustness of estimates, adequacy of reserves and also on the prudential borrowing regime.

List of Appendices

Appendix A	Recurring Bids
Appendix B	Non Recurring Bids
Appendix C	Capital Bids
Appendix D	Estimated Resources Required
Appendix E	Medium Term Financial Plan

List of Background Documents: Budget Working Party Minutes

List of Consultees: Corporate Team, BWP Members, Accountants