

**DRAFT GENERAL FUND REVENUE BUDGET, CAPITAL PROGRAMME AND COUNCIL TAX
2006/07**

EXECUTIVE MEMBER: Councillor Elaine Woodburn

LEAD OFFICER: Sue Borwick

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Summary: To recommend to Council the 2006/07 Revenue Budget and additions to the Capital Programme and to inform members of the estimated Council Tax to be levied for the financial year 2006/07.

Recommendation: That the Executive recommends to Council that:

- 1) To increase the base budget from £8,827,925 to £9,536,529, including recurring bids of £995,189 as detailed in [Appendix A](#).
- 2) To agree non-recurring revenue bids of £913,088 as detailed in [Appendix A](#).
- 3) To approve additions to the capital programme for 2006-07 of £640,180 as detailed in [Appendix A](#).
- 4) To utilise the resources as identified in paragraph 5, for the 2006-07 budget.
- 5) To approve the fees & charges shown in Appendix B.
- 6) To delegate the approval of the Council tax base to the Chief Finance Officer in consultation with the Leader of the Council
- 7) To set the Budget Requirement at £10,317,605 for 2006-07

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 2006-07 is £10,317,605 for this Council. This would result in an estimated Council Tax for a Band D property of £158.37 (Copeland share), 7p 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 21 st February and in the Council report of the 28 th 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 16th August 2005 outlining the budget strategy to be followed, the setting up of the Resource Steering Group and the Budget Working Party, and the consultation 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. Legislation requires that the Executive advise Council its budget recommendations prior to the 8th February. 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 The detailed work of the budget preparation has been undertaken by the Resource Steering Group with proposals then 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. The OSC now has more involvement in the budget process
- 1.4 The Budget now fully reflects the organisation structure of the Council post restructure.

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 In his budget speech on the 5th December 2005, the Chancellor of the Exchequer announced that the system used to distribute the formula grant would be overhauled. This new system has taken account of the 2001 Census Data, has placed a greater emphasis on “resource equalisation” – ie making it fairer for those authorities with a relatively low ability to raise council tax locally – and has also taken account of changes in policy. The main change in policy is the introduction of free off peak bus travel for the over 60s and the disabled.
- 2.3 The draft Formula Grant for Copeland is £6,776,108 for 2006-07.
- 2.4 For comparisons between 05/06 and 06/07 it is therefore necessary to amend the 05/06 figure so that we can compare the two years. When this is done it shows that we have a 5% increase in real terms.
- 2.5 The Chancellor has also gone one step further, and announced the draft settlement for 07/08 to assist with service planning and delivery. For Copeland the draft settlement is £6,983,000, which equates to a further increase of 3%.
- 2.6 Because of this stable and predictable funding for the following two years, the Government have announced that they “expect Local Government to respond positively as far as council tax is concerned. They have confirmed that they expect to see council tax increases in each of the next two years of less than 5%, and that there is no excuse for excessive increases. It is also assumed that Councils will give indicative council tax levels for the next two years.

3. BUDGET STRATEGY

- 3.1 In previous years, we have had difficult budget scenarios, where we have had to find significant savings and/or additional income, to pay for unavoidable growth and to direct expenditure to priority areas.
- 3.2 As considerable savings have been found over the last few years, the need to find savings to meet the revenue budget was not as significant. However, over the last couple of years, the Council has had heavy investment in IEG (implementing electronic government) and the base has had to increase to accommodate the ongoing revenue implications of this – for example in increased licensing costs. In order for the base to stand still, it is important that a cautious approach is taken.
- 3.3 Also, this year, two additional elements needed to be incorporated into the budget process. The Gershon Efficiency Agenda stipulates that we need to make £900k of efficiencies over the three years from 2005 to 2007, and these must be released back into frontline services. The

second item is the CPA methodology, which now requires a more rigorous scrutiny of the budget process.

- 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.
- 3.5 The budget proposed for next year, after allowing for recurring growth, is contained within the available resources for next year, and within the target of keeping the base budget to within 95% of the levy. Based on the estimated figures at present of the Grant settlement, tax base etc, the base budget is 92.43% of the total Levy.

4 GROWTH BIDS - 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 In support of the budget process, Members of the BWP together with Accountancy staff visited each of the Joint Neighbourhood Forums. A presentation of the budget process was given to the meeting, and a questionnaire was distributed, asking the public's views on the areas they would like to see more and less spending. The views of the Customer First Project were also sought in regard to the bids.
- 4.3 The bids submitted have been considered, by the Resource Steering Group and the Budget Working Party, which included a joint meeting with representatives from the OSC's. In making final recommendations the budget working party took on board feedback from the JNFs and the Customer First Project, and used the prioritisation process as in 2005-06.
- 4.4 The bids that have been recommended for 2006 07 are as follows and are detailed in Appendices B & C.

	£
Recurring	995,189
Non-Recurring	913,088
Capital	640,180

- 4.3 In addition to the capital bids for 2006-07 it is recommended that a further amount of £400,000 be allocated to Renovation Grants, and £100,000 for Disabled Facilities Grants.

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 **Second Homes Discount** – The income raised from this needs to be spent within Copeland in consultation with the Local Strategic Partnership (LSP). It is estimated that we will receive around £100,000, and discussions need to be held with the Chair of the LSP and the Partnership Coordinator to ensure that they support the bids put forward. A list of these bids will be detailed in the February Executive report.
- 5.3 **Capital Receipts from the sale of assets** – legislation only allows these to be used to fund future capital expenditure. During the 2005-06 financial year, a number of additional sales have been completed, which have raised approximately £1 million. There is also an unallocated £150,000 from the original 2005-06 sales. The budget report in 05-06 approved that £150,000 pa for 2006-07 and 2007-08 would be allocated from capital receipts to fund unadopted sewers. This gives a pot to be spent on capital items of £1,300,000.
- 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 last year that this is used to part fund our remaining commitment to provide private renovation grants and disabled facilities grant for the next 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 is anticipated that all this monies will be in by the end of 2005/06 resulting in a total of £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 £640,010 remaining in the reserve.
- 5.6 **Major Projects Fund** - the current balance remaining on the Major Projects Fund (MPF) is £602,247. At an early Budget Working Party in September it was recommended that only up to a maximum of 50% of the balance be allocated for use in the budget process, ie £301,124.
- 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 will be received during 06/07 onwards. These will be reported to Executive separately.

5.8 SUMMARY of financing proposed: –

	£
2nd Homes Discount	100,000
RTB remainder – Rev	16,006
Major Projects Fund	16,006
Capital Receipts	640,180
RTBs	500,000
Sub Total (one offs)	1,272,192
Revenue Support Grant	5,684,735
NNDR Pool	1,091,373
Surplus on collection fund*	44,339
Council Tax – 2.5% increase	3,497,158
TOTAL AVAILABLE	11,589,797

*This reflects the difference between the 2004/05 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 22082.20 band D equivalent properties (22,030.47, 2005-06), 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 As the Government has announced possible capping, the Budget Working Party is recommending keeping the increase in Council Tax to 2.5% for 2006-07, and 2% for 2007-08. The estimated Council Tax to be collected is derived by multiplying the proposed rate per property, £158.37 by the tax base giving an estimated collection of £ £3,497,158 (2005-06 £3,403,990). 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	5,684,735
NNDR pool - provisional	1,091,373
Surplus on the Collection Fund – estimated	44,339
Call on the collection fund – 2.5% increase in council tax	3,497,158
TOTAL LEVY (budget requirement)	10,317,605

7 BASE BUDGET

7.1 The base budget, (annual recurring revenue expenditure) for 2005-06 was £8,827,925. The base budget including growth bids for 2006-07 is proposed as £9,536,529, 92.43% 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 21st February 2006 and Council 28th February 2006.

7.3 TOTAL BUDGET 2006-07

	£	
Base budget including growth bids	9,536,529	
Non-recurring bids	913,088	Appendix A
Additions to capital programme 2006-07 only	1,140,180	Appendix A
TOTAL	11,589,797	

This is within the finance available as detailed in para 5.7

9 FEES AND CHARGES

9.1 The Schedule of Proposed Fees and charges recommended for Financial Year 2006-07, are set out in [Appendix B](#) and address all relevant services, both statutory, and non-prescribed.

9.2 The proposals take account of the District Auditors recommendations in his report of 1999 entitled "Income, Charging, and Best Value – Corporate Overview". The scope of the report of Copeland looked at how the Council manages and makes use of charges to achieve its policy objectives.

In determining the pricing policies adopted, consideration has been given to:

- The Council's overall corporate strategies
- The market
- Real competition
- Value users put on services
- Supply and demand (elasticity)
- Usage
- Aim of concessions in meeting corporate and service objectives
- Anti poverty strategy
- Access to services
- Policy led budgeting
- Specifying target groups
- Level of income
- Cost
- Debt recovery
- Best value

- 9.3 Business Managers, and their Accountants, have worked closely together, in determining the proposed fees and charges, as detailed in the Appendix, to ensure the Council, strategically maximises potential income received.
- 9.4 Statutory Fees and Charges are shown at the latest prices available, and do not show any potential increases during 2006-07.

10 COUNCIL TAX

- 10.1 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.
- 10.2 Based on the recommended levy and the Council Tax Base the following is an estimate of Copeland Council Tax.
- 10.3 The table below compares the Band D & Band A Council Tax to the previous year.

	2005-06 £	2006-07 £	Increase from previous year £	% Increase %	Increase per Week £
Band D	154.51	158.37	3.86	2.5	0.07
Band A	103.01	105.59	2.58	2.5	0.05

- 10.4 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 28th February 2006.

11 CONCLUSION

- 11.1 The draft settlement this year has been better than originally anticipated. This has allowed the base revenue budget to be contained within 92.43% of the levy, where as the target is 95%. The council tax increase has also been minimized to 2.5%. However, some additional reserves have had to be used, to fund the non-recurring growth items, and the capital bids. The lower we can get the percentage (%) of the annual recurring budget against the levy, the more resources the Council has available for one-off expenditure and capital.
- 11.2 The draft settlement has been issued for 2007-08, and this shows a further increase of 3% for this year. The Budget Working Party has therefore recommended that the Council Tax for 2007-08 be increased by 2%.

- 11.3 Because of the growth in the base budget, and the large number of non-recurring growth items approved, the Budget Working Party have recommended that they continue to meet from early January to look at ways of reducing the base for 2007-08.
- 11.4 The Head of Finance and Business Development would like to see the budget contained within the resources available for the year – ie within the levy and the amount to be raised from council tax.
- 11.5 The 3-year medium term plan is being developed and will be included in the report to executive in February.
- 11.3 The final budget report to the Executive and to Council will include a report from the Head of Finance & Business Development on the robustness of estimates, adequacy of reserves and also on the prudential borrowing regime.

List of Appendices

[Appendix A Recurring, & Non-recurring and Capital Bids](#)
[Appendix B Proposed Fees and Charges](#)

List of Background Documents: Budget Working Party Minutes

List of Consultees: Corporate Team, BWP Members, Accountants