

**EXE 20 02 07
ITEM**

**APPROVAL OF REVENUE BUDGET, CAPITAL PROGRAMME AND COUNCIL
TAX 2007/08**

EXECUTIVE MEMBER: Cllr Elaine Woodburn

LEAD OFFICER: Sue Borwick, Head of Finance & Business & Development

REPORT AUTHOR: Sue Borwick, Head of Finance & Business & Development

Summary: To approve and recommend to Council the 2007/08 Final Revenue Budget and to approve the Council Tax to be levied for the financial year 2007/08.

<p>Recommendation: That Executive recommends to Council that:</p> <ol style="list-style-type: none">1. To approve the budget pages issued under separate cover2. To note the movement in base budget from 2006/07 to 2007/08 in Appendix A.3. To recommend the formal resolution as per Appendix B.4. To agree to the Fees and Charges as detailed in Appendix C.5. To note the revised medium term financial plan attached at Appendix D.6. To note the confirmation of the robustness of the budget and adequacy of reserves detailed in paragraphs

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 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. This is detailed in paragraph 8

Key Decision Status

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

Other Ward Implications: Affects all wards

1. **INTRODUCTION**

- 1.1 A report on the Draft Budget for 2007/08 was presented to Executive on the 16th January 2007, and subsequently approved by Council on the 24th January 2006. This report set out in detail the draft formula grant and the strategy that was followed to produce the Budget. The report listed the recommended growth bids, both revenue and capital for the coming year.
- 1.2 The budget strategy agreed in July 2006 detailed the involvement of the OSC P&R in the budget process. Due to the lack of the scrutiny support officer over the last few months it has not been possible to undertake the challenge process fully as anticipated , however all members were invited to attend a workshop in November to discuss the process and consider the bids.
- 1.3 There have been no changes to the draft budget proposed to the last Executive, other than revising the three year financial plan as detailed in paragraphs 8.6 – 8.7. The purpose of this report is to gain final approval of the budget , to approve the fees and charges attached at Appendix C, and set the Council Tax levels

2. **FINAL REVENUE SUPPORT GRANT SETTLEMENT**

2.1 The final settlement was received on the 31st January. The total Formula Grant is £7,028,610, no change to the draft figures reported previously.

2.2 Final figures for the Total Support Grant are as follows:

	£
Revenue Support Grant	1,010,040
Redistributed NNDR	6,018,570
Total	7,028,610

3 **BUDGET 2007/08**

3.1 The following table details the recommendations that have already been approved by Council on January 16th 2007. These have had to be amended

slightly due to the changes in the final grant settlement, the Council Tax base and the addition of another bid. Details of the reserves available (one off funding) and balances remaining is included at Appendix C.

	£
<u>Budget requirement</u>	
Base Budget	9,817,926
Recurring Bids	340,150
Non-Recurring Bids	876,522
Additions to capital programme	1,262,285
	12,296,883
<u>One-off Funding</u>	
Use of Residual RTB	364,108
2 nd Homes Discount	100,000
Underspend from 2005/06	417,000
Use of Capital Receipts	300,000
Use of Residual RTB	500,000
Planning Delivery Grant	10,000
	1,691,108

4.3 The detailed movement from 2006/07 is shown in Appendix A. Details of the individual service budgets are available in the Member's room.

4.4 The detailed fees & charges that support the income included in the revenue budget are detailed in Appendix C

5 FINANCE AVAILABLE

5.1	2007/08
	£
Total funding required	12,296,883
Finance available as shown in 3.1	1,691,108
Council Tax levy on Collection Fund	10,605,775

6 INCREASE IN COUNCIL TAX

6.1 The Budget Report last year approved a 2% increase in Council Tax for 2007-08 in line with Government expectations for Authorities to propose two year tax increase in line with receiving advance notification of government grants.

6.2 There are no figures from Government for 2008-09 and beyond. Those will appear next summer once the Comprehensive Spending Review 2007 is complete. This will lead to a 3 year Revenue Support Grant Settlement covering the years 2008-09, 2009-10 and 2010-11. For the purposes of the three year financial strategy increase in Council Tax of 3% in year 08/09 and 09/10 have been used.

7 COUNCIL TAX

7.1 The formal Council Tax Resolution is attached at Appendix B

The Band D Council Tax, which relates to Copeland Borough Council, is £161.54. The calculation is as follows:

Spending	10,605,775
Less: RSG	(1,010,040)
Less: NNDR	(6,018,570)
Less: Surplus on Collection Fund	(250)
LEVY ON COLLECTION FUND	3,576,915
Council Tax Base	22,142.60
Council Tax 2007/08 on Band D	£161.54

7.2 The total Council Tax including the County Council and Police precept is shown below. The precepts are subject to approval at their meetings on 15th and 14th February 2007.

	<u>Band D - £</u>	<u>Band A - £</u>
CBC	161.54	107.70
County – draft	1,070.30	713.53
Police - draft	171.09	114.06
Council Tax 2007/08	1,402.93	935.29
Increase	62.05	41.37

7.3 The table below compares the total Band D Council Tax to the previous year.

	2006/07 £	2007/08 £	Increase from previous year	% Increase	Increase per week £
CBC	158.37	161.54	3.17	2.00%	0.06
Cumbria CC	1,019.43	1,070.30	50.87	4.99%	0.98
Police	163.08	171.09	8.01	4.91%	0.15
TOTAL excl Parishes	1,340.88	1402.93	62.05	4.63%	1.19

- 7.4 A large proportion of the properties are Band A. If the Council approves the proposed Council Tax the increase from last year on a Band A property would be as follows:

	2006/07 £	2007/08 £	Increase from previous year	% Increase	Increase per week £
CBC	105.59	107.70	2.11	2.00%	0.04
Cumbria CC	679.62	713.53	33.91	4.99%	0.65
Police	108.72	114.06	5.34	4.91%	0.10
TOTAL excl Parishes	893.93	935.29	41.36	4.63%	0.79

- 7.5 Further details of the Council Tax calculations are included in Appendix C 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.

8 Section 25 report of the Chief Finance Officer

- 8.1 Section 25 of the Local Government Act 2003 requires the Chief Finance Officer (Head of Finance & Business Development fulfils this role) to report to the Council when it is making the statutory calculations required to determine its Council Tax. Initial government guidance states, "The authority is required to take the report into account when making the calculations. The report must deal with the robustness of the estimates included in the budget and the adequacy of the reserves for which the budget provides. What is required is the professional advice of the Chief Finance Officer on these two questions. Both are connected with matters of risk and uncertainty. They are interdependent and need to be considered together".

8.2 Robustness of the estimates

The opinion of the Head of Finance & Business Development is that the estimates are robust. They are prepared, by Accountancy Services staff, in consultation with the relevant budget holders. The Budget Working Party and the Resource Steering Group have considered savings and bids, which were then considered by Council on 23rd January 2007, and these were then incorporated into the estimates.

There are always some risks associated with budget setting. Some expenditure is demand led and there is always some uncertainty about other items. The main areas of risk associated with the 2007/08 budget are:

- Interest receipts from treasury management are always a risk. The budget has been produced on interest rate predictions given by our Treasury Consultants. Continuing use of balances will also reduce the interest receivable.
- Income from fees and charges, in particularly car parking, are based on best estimates but cannot be guaranteed with certainty.
- Benefits estimates. It has been assumed that all housing benefits and council tax benefits will be repaid to the Council in subsidy as

the Government has stated they will meet the cost of all correctly paid benefits. For example, if benefit is paid incorrectly due to claimant error, subsidy is paid at a lower rate than 100%, but the benefit could also be reclaimed from the claimant. However subsidy claims are very complicated with complex transitional measures between the old system and the new and there is a possibility that there could be a net cost because of a variety of factors.

- The budget assumes a level of capital receipts based on the asset management plan. While a prudent view has been taken of the level of receipts, and it may be exceeded, it is possible that it is not achieved through circumstances beyond the Council's control.
 - The level of contingencies included in the estimates is quite low (£150,000). There is a risk here if there are unforeseen items through the year.
- 8.3 The above budgets will be closely monitored through the year, with reports presented to Members quarterly, detailing all significant variances from approved budgets. With the introduction of the new financial management system, information will be made available in a simpler and easily accessible way for managers to have up to date information. Corporate Team will also receive monitoring statements on the most volatile budgets.
- 8.4 The main risk in the short to medium term continues to be the need to find savings and the requirement of the Gershon Review to find efficiency savings of 2.5% pa (approx £900k over three years to March 2008). It is anticipated that from 1st April 2008 we will be required to find 3% efficiency savings per annum, all cashable.
- 8.5 Through the Work Force Planning, it is intended that Single status and Job Evaluation will start to be implemented in 2007/08. In previous years we have included funding in for implementation costs, and this budget includes a contribution to funding that is anticipated that will be needed to finance the outcomes of the work. It is anticipated that further funding will be required over coming years and this has been included in the three year financial plan.
- 8.6 The medium term financial plan also includes estimates for the continued requirement for increased pension contributions over the next few years. It has also been necessary to highlight that the current funding for Nuclear and Sustainability will end by the end of 07/08. Unless further funding can be secured, the Council will have to fund this budget.
- 8.7 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. In addition to this there is an expectation that at the end of the Gershon period March 2008, Councils will be expected to continue making efficiency savings of 3%, all cashable. With that in mind indications are that the Government settlement will be reduced accordingly. This is reflected in the medium term financial plan shown in Appendix D.

8.8 Adequacy of Reserves

The prudent level of unallocated reserves has been set at £1.2m for some years now. And is further supported by the Reserve Fund, Given the amount of risk, which the Council is facing in the estimates, it is the opinion of the Head of Finance & Business Development that the prudent level of £1.2m is an appropriate level. The balance on the Reserve Fund is currently £161,890.47. It is important that the policy of adding any under spends to this Fund is continues to help finance future major spending.

8.9 Earmarked reserves

A full review of all earmarked reserves was undertaken and reported as part of the closure of 2005/06 accounts. A further review will be undertaken during the close down of 2006/07 and any reserves no longer required will be advised to members.

- 8.10 Following the transfer of the Housing Stock we were required to keep the Housing revenue account (HRA) open for a further full financial year following transfer. The HRA is now officially closed and we are finalising details with Audit Commission on the balance remaining on this Account. Once confirmed a report will be presented to executive advising of any amount available.

9 CONCLUSION

- 9.1 The proposed budget has been balanced by using some of the reserves to fund growth, which is outside the base budget – ie non-recurring growth.
- 9.2 The base budget has continued to grow and there are known future requirements which will increase it further. This together with tighter settlements and the efficiencies that need to be generated will require the Council to find significant savings of over £600k during the coming two years.
- 9.3 In light of this a revised Budget Strategy is being presented to this meeting which will assist in the process of meeting our objectives whilst achieving the required level of financing within resources available
- 9.4 This year's budget process has also identified continuing investment in capital projects. We will not be able to sustain the capital receipts programme long term so all options to fund the future capital programme must be considered.
- 9.3 In light of these issues facing us over the next few years, it is recommended that BWP continue to meet and consider how best to address them.

List of Appendices

- Appendix A Movement in base budget - To Follow
- Appendix B Council Tax Resolution
- Appendix C. Fees & Charges – To Follow
- Appendix D. Medium Term Financial Plan

List of background Documents: Budget working papers; Budget Working Party Minutes

Consultees: Corporate team; Accountants, BWP Members