

**APPROVAL OF REVENUE BUDGET, CAPITAL PROGRAMME AND COUNCIL
TAX 2006/07**

EXECUTIVE MEMBER: Cllr Elaine Woodburn

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

REPORT AUTHOR: Catherine Nicholson, Accountancy Services
Manager

Summary: To approve and recommend to Council the
2006/07 Final Revenue Budget and to approve
the Council Tax to be levied for the financial
year 2006/07.

Recommendation: That Executive recommends to Council that:

1. To approve the budget pages issued under separate cover
2. To approve the revised base budget of £10,510,189 including Recurring and Non-recurring revenue bids. (£10,317,605 in previous report).
3. To agree to the Car Parking Fees and Charges as detailed in [Appendix A.](#)

To recommend the formal resolution as per [Appendix B.](#)

4. To note the recommendations already approved by Council referred to in paragraph 3.1, and agree the revised recommendations.
5. To note the details of the reserves available (one-off funding) as detailed in [Appendix C](#)
6. To note the movement in base budget from 2005/06 to 2006/07 in [Appendix D.](#)
7. To note the revised medium term financial plan attached at [Appendix E.](#)
8. To note the confirmation of the robustness of the budget and adequacy of reserves detailed in paragraphs

**Impact on delivering
Corporate Plan**

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

objectives:

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 £10,341,858 for this Council. This would result in an estimated Council Tax for a Band D property of £158.37 (Copeland share)

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

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 2006/07 was presented to Executive on the 17th January 2006, 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. It listed the recommended growth bids, both revenue and capital for the coming year, and set out the detailed fees and charges schedules.
- 1.2 The budget process has also been through Overview and Scrutiny, and at a meeting on the 16th January 2006, the OSC P&R were satisfied with the process followed by the Budget Working Party, and agreed with their recommendations.
- 1.3 Since this report was presented, we have been advised of the final settlement from Central Government, and have also had to make a small number of changes in other areas.

2. FINAL REVENUE SUPPORT GRANT SETTLEMENT

- 2.1 The final settlement was received on the 31st January. The total Formula Grant is £6,791,576. This is £15,468 more than the provisional settlement.

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

	£
Revenue Support Grant	1,098,891
Redistributed NNDR	5,692,685
Total	6,791,576

3 APPROVALS MADE BY COUNCIL

3.1 The following table details the recommendations that have already been approved by Council on January 24th 2006. 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.](#)

	Previous report	Recommendation
<u>Budget requirement</u>		
Base Budget	8,541,340	8,598,912
Recurring Bids	995,189	995,189
Non-Recurring Bids	913,088	916,088
Additions to capital programme	1,140,180	1,140,180
<u>One-off Funding</u>		
Use of Residual RTB	16,006	7,472
2 nd Homes Discount	100,000	100,000
Use of Major Projects Fund	16,006	7,472
Use of Capital Receipts	640,180	640,180
Use of Residual RTB	500,000	500,000
Building Control Earmarked Reserve		53,387
	1,272,192	1,308,511

3.2

4 RECOMMENDED CHANGES TO BUDGET

- 4.1 Council on 24th January 2006 gave delegated authority to the Chief Finance Officer in consultation with Leader of the Council to finalise the Council Tax Base. This has now been confirmed as 22,137.67, which is a slight increase from the draft base, and therefore increases the amount of Council Tax payable to the Authority.
- 4.2 The Budget Working Party on 10th February 2006, also requested that a further non-recurring bid be added to the list of bids to be recommended. The recommendation was for an Overview and Scrutiny support budget to be given a bid of £3,000.
- 4.3 The net changes in the final grant settlement, and the revised council tax base result in a revised levy of £10,341,858. This is made up as follows:

	£
Service provision as per Budget Pages	11,659,240
ADD – Loan Interest Charges	378,000
LESS – Capital Charges	-1,527,051
	10,510,189
Additions to capital programme 06/07	1,140,180
Total Funding Required 06/07	11,650,369

- 4.3 The detailed movement from 2005/06 is shown in Appendix A. Details of the individual service budgets are available in the Member's room.
- 4.4 At the previous meeting of Executive (17 Jan 06), Members deferred the fees and charges pages that were applicable to Car Parking. A request was made by Budget Working Party, that some further options were presented. The charges to be recommended are now included at [Appendix A](#).

5 FINANCE AVAILABLE

5.1	2006/07
	£
Total funding required	11,650,369
Finance available as shown in 3.1	1,308,511
Council Tax levy on Collection Fund	10,341,858
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6 INCREASE IN COUNCIL TAX

- 6.1 As the Government has announced the grant settlements for the next two financial years, it is expected that Council's also indicate the level of Council Tax increases for 06/07 and for 07/08. On the 24th January Council approved to keep the increase to 2.5% for 06/07, and 2% for 07/08. This gives a Budget requirement (Levy) of £10,341,858 for 2006/07.

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 £158.37. The calculation is as follows:

Spending	10,341,858
Less: RSG	-1,098,891
Less: NNDR	-5,692,685
Less: Surplus on Collection Fund	-44,339
LEVY ON COLLECTION FUND	3,505,943
Council Tax Base	22,137.67
Council Tax 2006/07 on Band D	£158.37

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 16th February 2006.

	<u>Band D - £</u>	<u>Band A - £</u>
CBC	158.37	105.58
County – draft	1,019.43	679.62
Police - draft	163.08	108.72
Council Tax 2006/07	1,340.88	893.92
Increase	59.78	39.85

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

	2005/06 £	2006/07 £	Increase from previous year	% Increase	Increase per week £
CBC	154.51	158.37	3.86	2.50%	0.07
Cumbria CC	971.16	1,019.43	48.27	4.97%	0.93
Police	155.43	163.08	7.65	4.92%	0.15
TOTAL excl Parishes	1,281.10	1,340.88	59.78		1.15

- 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:

	2005/06 £	2006/07 £	Increase from previous year	% Increase	Increase per week £
CBC	103.01	105.59	2.58	2.5%	0.05
Cumbria CC	647.44	679.62	32.18	4.97%	0.62
Police	103.62	108.72	5.10	4.92%	0.10
TOTAL excl Parishes	854.07	893.93	39.86		0.77

- 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 24 January, 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 2006/07 budget are:

- Interest receipts from treasury management is always a risk. Interest rates are outside the Council's control. With this, and the effect of reduced cash flows with the transfer of functions outside of the Council, it has been necessary to decrease the anticipated interest receivable.

- Income from fees and charges, e.g. car parking income, fees in leisure. These are budgeted at best estimates but cannot be guaranteed.
- 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 (£200,000). 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. From 1st April 2006, Corporate Team will also receive monitoring statements on a monthly basis on the most volatile budgets.

8.4 The main risk in the 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). A three-year plan has been prepared and will be considered by OSCP&R on 9th March. Through the Work Force Planning, it is intended that Single status and Job Evaluation will be in place by 2007/08. Although we have included funding in this budget for implementation costs, as yet no other funding has been set aside for any additional payroll costs. Included in the medium term financial plan is £300,000 as an initial estimated cost.

8.5 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.

8.6 **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 Major Project 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 Major Project Fund is currently £517,248, and this report recommends that £7,472 is utilised from

this fund to support the non-recurring bids. It is important that the policy of adding any under spends to the Major Project Fund to help finance future capital spending is continued. Other available reserves and balances available are shown in [Appendix C](#).

8.6 Earmarked reserves

A full review of all earmarked reserves was undertaken and reported as part of the closure of 2004/05 accounts. A further review will be undertaken during the close down of 2005/06 and any reserves no longer required will be advised to members. The total of all earmarked reserves at 31st March 2005 was £2,241,237 however a large proportion has been committed for use during the year.

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 £300k during the coming two years.
- 9.3 This years budget process has also identified significant capital investments – particularly in the Crematorium. The potential leisure trust has also identified possible future capital requirements. All alternative sources of options and funding for the future capital programme must be considered.
- 9.4 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 [Car Parking fees and Charges pages](#)
- Appendix B [Council Tax Resolution](#)
- Appendix C [Reserves](#)
- Appendix D. [Movement in base budget](#)
- Appendix E. [Medium Term Financial Plan](#)

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

Consultees: Corporate team; Accountants, BWP Members