

BRECKLAND COUNCIL

CABINET: 8 JANUARY 2008

REPORT OF THE EXECUTIVE MEMBER FOR THE CABINET OFFICE **(Author: Deputy Chief Executive in conjunction with the Chief Accountant)**

ESTIMATES 2008-2009

Summary: This report sets out Breckland's proposed future spending plans, including the Star Chamber recommendations. Cabinet are requested to consider the estimates and Breckland's proposed council tax for 2008-09 and make a recommendation for approval.

1. INTRODUCTION/BACKGROUND

- 1.1 The estimates have been prepared in accordance with the principles set out in Medium Term Financial Strategy. The aim is to produce a sustainable and balanced budget plan that forecasts the Council's revenue budget for six future years on a rolling basis, and to include a capital programme for that period.
- 1.2 The Star Chamber has been used again this year to ensure that the strategies, projects and priorities that have been identified for the Annual Delivery Plan are fully funded, fully resourced and most importantly support and enhance the overall objectives and priorities of the Council as a whole.
- 1.3 This paper covers the overall parameters for setting the Council's budget, and therefore the level of council tax. The recommendations from the Star Chamber, if adopted, will then be incorporated into the budget.
- 1.4 Stakeholder consultation exercises have confirmed that council tax payers surveyed are prepared to accept council tax increases in line with inflation in order to maintain services. They also support the principle that service growth and improvements should be funded from investments, efficiency and income.

2. KEY DECISION

- 2.1 This is a key decision.

3. COUNCIL PRIORITIES

- 3.1 The matters raised in this report fall within the following Council priorities as the estimates cover all priorities:
 - A safe and healthy environment
 - A well planned place to live which encourages vibrant communities
 - A prosperous place to live and work

4. STAR CHAMBER

- 4.1 This year all service budgets were reviewed by Corporate Management Team to challenge both income and expenditure estimates, and the value they added to service delivery. This resulted in a net decrease in the cost of services over the budget period. The team also reviewed the initial Star Chamber bids to ensure that they all met corporate priorities, before progressing to the next stage.
- 4.2 The Star Chamber considered a number of proposals for sustaining the current service were funding had come to an end as well as growth items. It looked at how these proposals would be funded.

- 4.3 Recommendations from the Star Chamber are shown in Appendix A. These figures have been kept apart from the base budget so they can be considered separately, although if approved they will be consolidated into the budget against the appropriate cost centre. The schemes identified can be funded from the general fund. This will reduce the balance of the general fund shown in appendix B
- 4.4 The previous year's Star Chamber proposals have been reviewed to ensure that they remain on track. The efficiencies relating to the provision of the tourism service have not wholly materialised, and the budget has been amended to reflect this. Savings relating to CCTV included in last years estimates have been reversed until the review of CCTV provision puts forward proposals for sustaining this service.
- 4.5 Efficiencies associated with the project Create, that had previously been included in the estimates, have been removed until such time that projects are sufficiently worked up to the point that there is a degree of certainty about the delivery of service efficiencies or income through trading. This includes work-streams such as planning and building control and the review of Environmental Services. Any costs and income associated with these work streams will need to be considered when any business case is presented for a decision, with Council approving a supplementary budget at that stage.

5 ESTIMATES AND EARMARKED RESERVES

- 5.1 The General Fund Summary (Appendix B) shows Breckland's estimated budget requirement. Once the central government finance is taken into account approximately £2.6m will need to be raised by the council tax. This equates to £61.98 for a band D property in 2008-2009, an increase of just 2.75% over the current year. Table 1 shows the effect of this proposed tax rate across all property bands. As the highest proportion of the properties lie in the lowest bands, around 78% of households will pay less than the standard band D rate.

Table 1 - Council Tax and Taxbase Data

<i>Band</i>	<i>A</i>	<i>B</i>	<i>C</i>	<i>D</i>	<i>E</i>	<i>F</i>	<i>G</i>	<i>H</i>
Council Tax (£)	41.32	48.21	55.09	61.98	75.75	89.53	103.30	123.96
Properties (no.)	14,359	15,916	12,757	6,695	3,710	1,352	658	56
Net taxbase (no.)	9,573	12,379	11,340	6,695	4,534	1,953	1,097	112
Proportion of properties (%)	26	29	23	12	7	2	1	0

- 5.2 The balance of the General Fund is estimated to be around £5.8m at the end of the six-year projection before any funding is released for Star Chamber proposals. This reduces to £5.2m if the schemes identified in appendix A are approved.
- 5.3 The revenue estimates showing the net cost of services analysed by portfolio (including the net costs of individual services) are included in appendix C. The budgets have been organised under revised structure approved at Council on 6th December 2007.
- 5.4 The Capital Estimates are shown in appendix D. These include the schemes that have been committed by previous council decisions. A number of proposed projects have been put forward to Star Chamber and are shown on the table as future proposals. However the total value of these proposals exceeds the amount of resources that the council has available to fund capital schemes without resorting to borrowing or drawing down on revenue funds. Before any of these schemes can be considered they will need to have an outline business case including a review of the options available and the impact on revenue to ensure that they are sustainable. Cabinet can then consider them as a programme to ensure that only viable schemes are put forward to have a full business case worked up and presented to committee for release of funding

- 5.5 Earmarked reserves have been used to fund previous budget rounds and initiatives approved by council. The contributions from earmarked reserves have been included in the estimates, with the balance of earmarked reserves being shown in appendix E. The balance at March 2014 is forecast to be around £1.9m. The Commercial Property reserve has been excluded from this appendix as it has been included with the general fund summary to show the impact that the surpluses it generates has on supporting the Council Tax. This reserve has been drawn on in the revised estimate to maintain a higher balance in the general fund. In future years it is proposed to draw down the surplus generated by Commercial Property trading activity to support the council tax in the same way that interest earned on cash deposits is used. The effect on the Commercial Property Reserve is to maintain an ongoing balance of £2m.
- 5.6 Appendix G shows a summary of the salary establishment budget.

6 ASSUMPTIONS AND RISKS

- 6.1 A number of assumptions have been used in preparing the budget papers. An inflation rate of 3% has been used based on an average of a number of indices, unless a contract specifically requires a different index to be used. Inflation has not been applied to budgets for non-contracted or non-specific expenditure such as hired services. The government comprehensive spending review uses a slightly lower inflation rate of 2.75% over the next three years. Council tax proposed increases have been aligned to this rate.
- 6.2 It is assumed that the taxbase will grow at a rate of 1.32% annually in line with the actual increase from the previous year. This is a prudent forecast as the LDF is expected to deliver growth in excess of this in future years.
- 6.3 The central government grant settlement this year has given councils a three year settlement for the first time. This adds some degree of certainty for the next three years, although the settlement is only provisional and could change following the consultation period. As the final settlement figure will not be released until after Cabinet has made its recommendation, it is proposed that any change in funding is absorbed by the General Fund, as in the past any variances between the provisional and final settlements have been relatively small.
- 6.4 External interest has been projected at current rates for individual investments up until maturity. Thereafter it is assumed that the return will average 5%.
- 6.5 Council Tax increases have been assumed at 2.75% annually, in line with the inflation rate used by the government in the comprehensive spending review. However this policy will need to be reviewed each year as new spending pressures, offset by investment and efficiency opportunities, emerge.
- 6.6 A risk assessment has been carried out on the key risk areas, and on those activities that have a major financial significance on the overall budget. This is shown in appendix F. These risks will be incorporated in the council's risk register and reviewed regularly in line with our risk management strategy.

7 KEY ISSUES

- 7.1 Members' attention is drawn to a number of key issues:
- The provisional settlement figures for the Revenue Support Grant and the Non Domestic Rate income have been included in the General Fund Summary (Appendix B). The final settlement figures are expected in February 2008. In previous years there has been a relatively small change between the provisional and the final settlement figures, which can normally be accommodated within the reserves. It is not envisaged that the Council Tax figure will need to be changed.
 - A vacancy factor of 3% on the staff establishment budget has been used from 2008/09 onwards. Previously we have budgeted at 100% establishment and have used any savings to vire to other budget heads or to fund temporary and interim staff. The expectation is that staff turnover will result in reduced running costs and a

reduction in the budget of around 3%. This tactic is used successfully by other authorities. In the first year the resultant budget reduction will be transferred to an earmarked reserve. However from 2009/10 there will be no reserve backup.

- The concessionary bus fares scheme changes with effect from April 2008, with national bus travel being allowed from that date. This will result in additional costs to the authority, as the current local scheme only allows travel within Norfolk. However the government has awarded all councils affected by the changes a special grant to help offset the additional costs. The total cost of the scheme is forecast at £981k with grant funding of £296k to offset the additional costs of the national scheme. This will be treated separately from the settlement in the next three years, although it is expected to be rolled into the Revenue Support Grant from 2011/12 and will then become less transparent.
- Revised service/annual delivery plans are being developed. These will be checked to ensure all activities have been covered by the estimates, and that no unfunded initiatives are included. Adopted recommendations from the Star Chamber will also be included in these business plans to allow performance to be measured against the targets.
- Investment income from the Council's cash deposits has diminished and reflects a reduction in the capital balances as a result of capital spending. However property investments are bearing fruit and help offset this reduction. We have also forecast some capital receipts in 2011/12 as the REV project matures. Interest rates have risen since the current year's budget was set, which has help support the amount of interest earned in the current year.
- Commercial Property trading activity is continuing to generate a surplus that supports the Council Tax. Further investment opportunities are being reviewed in order to produce an even better return for the Council's capital over that which is generated by cash deposits. However these will not be incorporated into the budget until it is prudent to do so.
- The budget is balanced, but must continue to be monitored to ensure that it remains sustainable over the medium term. Any year on year growth items will only be approved if they can be funded from ongoing efficiencies or income. Reserves will not be used to fund continuing costs.

8 LOCAL GOVERNMENT ACT 2003

- 8.1 The Local Government Act 2003 introduced a requirement that the Chief Finance Officer report on the robustness of the budget and the adequacy of the reserves. The estimates have been prepared in a prudent manner, although it should be recognised that they are a number of variable elements outside the Council's control. These issues have been highlighted in sections 6 and 7 of this report. The risk assessments carried out during the budget preparation process and challenge of budget working papers have assisted in proving the robustness of the estimates. Continual budgetary control procedures will ensure that budgets are observed and that any significant variations from budget are swiftly dealt with. The levels of reserves should be sufficient to cover short-term variations to estimates, with the policy to reduce the General Fund balance in a controlled manner adding additional stability.

9 OPTIONS AVAILABLE

- 9.1 Consider the recommendations of the Star Chamber and the projects to be incorporated into the base budget.
- 9.2 Adopt the six-year budget plan and recommend to Council the band D Council Tax for 2008-09.
- 9.3 Amend the Star Chamber recommendations and budget and put alternative proposals to Council.

10 REASONS FOR RECOMMENDATIONS

10.1 The approval of the estimates and precept form the basis for the calculation of the Council Tax for each band of property that is required to be formally approved for 2008-2009.

11 RECOMMENDATIONS

11.1 The following are approved for recommendation to full Council:

- The revised estimates for 2007-08, which includes the elements raised by the key issues
- The estimates for 2008-09, which includes the elements raised by the key issues
- To set the Council Tax for a band D property in 2008-09 at £61.98

Appendices:

- Appendix A – Star Chamber Recommendations
- Appendix B – General Fund Summary
- Appendix C – Summary Cost Centre Revenue Estimates by Portfolio
- Appendix D – Capital Estimates
- Appendix E – Earmarked Reserves (excluding Commercial Property Reserve)
- Appendix F – Risk Assessment
- Appendix G – Establishment