

CANNOCK CHASE COUNCIL

CABINET

21 FEBRUARY 2008

PORTFOLIO HOLDER: LEADER OF THE COUNCIL

REPORT OF DIRECTOR OF GOVERNANCE

GENERAL FUND REVENUE BUDGET 2008-09 TO 2010-11

1. Purpose of Report

- 1.1 To set out the background to the General Fund Revenue Budget for 2008-09 and the forward projections to 2009-10 and 2010-11.

2. Recommendation

- 2.1 The Cabinet is asked to consider the information in this report and recommend to the Council a balanced budget for 2008-09, with indicative budgets for 2009-10 and 2010-11.

3. Key Issues

- 3.1 Previous papers on today's agenda have set out the background to setting the Council's Housing Revenue Account budget and its Housing and General Fund Capital Programmes. This paper deals with the General Fund Revenue Budget and the setting of the Council Tax for 2008-09.
- 3.2 The Council is required to prepare a balanced budget in law. The purpose of this report is to set a background to the process and identifies issues, to allow members to present their proposals to the Council for the District Council budget and Council Tax.
- 3.3 The Draft standstill budget for 2008-09, 2009-10 and 2010-11 was reported to Cabinet at its meeting of the 22 January 2008 as a basis for submitting a Budget for consultation.
- 3.4 The results of the consultation on the proposals are subject of a separate report on the Agenda with this report updating members on the outstanding issues in relation to the standstill budget for 2008-09 to 2010-11.
- 3.5 Members will be aware that the Leader of the Council together with officers of the Council met with the Minister for Local Government on the 8 January to seek a fairer allocation of resources for Cannock Chase Council. Reference was particularly made to the detrimental impact of the application of Local Authority Business Growth Incentive Scheme (LABGI), which is currently subject to judicial review.

- 3.6 The date of the Judicial review is still to be determined whereas the Department for Communities for Local government is currently reviewing the basis of Year 3 (the last Year of the current scheme) LABGI payments. No provision exists within the draft Budget for any grant income from LABGI.
- 3.7 The Government have however announced the actual Revenue Support Grant (RSG) settlement and despite the lobbying of DCLG the actual settlement shows no change from the provisional settlement
- 3.8 The only material change in relation to the standstill budget is the deletion of the budget provision for Waste Management and Efficiency Grant. This grant now forms part of the RSG settlement and hence, is not ring-fenced, and forms part of an overall settlement. In accordance with budget policy any policy options relating to this issue are considered as part of the Delivering Change process and are subject to prioritisation against other policy options and their contribution to the Councils aims and objectives.
- 3.9 Annex One to the main report represents the estimated expenditure requirements for a standstill budget and includes a listing of the more significant variations to the Budget approved by Council in February 2007.
- 3.10 Annex Two sets out the estimated standstill position for each of the above factors.
- 3.11 The Annex has been updated since the January meeting to reflect the review of Reserves and Balances as detailed in that report and updated by the report on Reserves and Balances elsewhere on the Agenda. In particular additional provision of £830,000 is required in working Balances and this will be offset by earmarking the Actuarial Valuation reserve (no longer required) for this purpose.
- 3.12 The report of the 22 January highlighted substantial increases and reductions in Council Tax over the three year period and these have now been stabilised by using the consultation budget of 5% per annum and the use of transitional reserves to offset the temporary blip in 2008-09.
- 3.13 A surplus of £336,000 is estimated based upon a 5% Council tax increase. The table at the bottom of Annex Two shows, for illustrative purposes, the additional resources generated or savings required based on Council Tax increases of 0%, 2%, and 3% to 7%.
- 3.14 As a rough guide a 1% increase in Council Tax is approximately equivalent to £54,000 per annum which if sustained over the three year period would generate £54,000 in 2008-09, £109,000 in 2009-10 rising to £165,000 in 2010-11
- 3.15 Although universal Council Tax capping no longer applies, the Government still has powers to limit the budget of a Council if it considers that its budget, or its year on year increase, is too high. The Government have stated that they expect to see average council tax of less than 5%. Excessive increases i.e. in excess of 5% will be capped. This potential for capping must be taken into consideration when setting the Council Tax. If the Council should be capped retrospectively it will not only have to reduce its spending, but also bear the cost of sending out all its Council Tax bills again

REPORT INDEX

Background	Section 1
Details of Matters to be Considered	Section 2
Standstill Budget	
Setting the Council Tax	
Contribution to CHASE	Section 3
Section 17 (Crime Prevention) Implications	Section 4
Human Rights Act Implications	Section 5
Data Protection Act Implications	Section 6
Risk Management Implications	Section 7
Legal Implications	Section 8
Financial Implications	Section 9
Resource Implications	Section 10
Conclusion	Section 11
List of Background Papers	Section 12
Annexes to the Report:	Section 13

Section 1

1. Background

- 1.1 Previous papers on today's agenda have set out the background to setting the Council's Housing Revenue Account budget and its Housing and General Fund Capital Programmes. This paper deals with the General Fund Revenue Budget and the setting of the Council Tax for 2008-09.
- 1.2 The Council is required to prepare a revenue budget for the District Council, together with setting a Council Tax to meet not only its own needs but also those of the County Council, the Police Authority, the Fire Authority and the various Parish Councils within the District area.
- 1.3 This paper sets out the calculation of the standstill budget for 2008-09, 2009-10 and 2010-11, and identifies a number of issues identified by officers where either additional spending may be required or money may be saved. It also provides a background to the setting of the Council Tax for District Council purposes.
- 1.4 The Council is legally required to prepare a balanced budget. This paper does not do that, but instead sets out the background and identifies issues, to allow members to present their proposals to the Council for the District Council budget and Council Tax.

Section 2

2. Details of Matters to be Considered

Standstill Budget

- 2.1 The initial stage of budget preparation is undertaken by each Director and Head of Service as part of the business planning process. This is known as the preparation of the standstill budget, which expresses the cost of continuing with the Council's current policies into the future. As part of the process, a reassessment of the current year's spending is also made.
- 2.2 The Council has been subject of a number of cost pressures this year. These include a down turn in income particularly for leisure facilities, including Chase Leisure Centre and the Golf Course; car park income is also materially less than budgeted. Concessionary Fares usage is similarly higher than forecast. In relation to 2008-09 these trends are expected to continue with further reductions resulting from Land Charges fees being required to only cover the actual cost of providing the service.
- 2.3 Annex One to the main report represents the estimated expenditure requirements for a standstill budget and includes a listing of the more significant variations to the Budget approved by Council in February 2007.
- 2.4 The "standstill " net expenditure has thus been estimated as follows:

	£ million
2007-08 Projection	14.339
2008-09 Standstill	14.300
2009-10 Standstill	14.269
2010-11 Standstill	14.969

Setting the Council Tax

2.5 The Council Tax for District Council purposes is determined by a number of factors:

- ◆ The Council's net general fund revenue expenditure
- ◆ The amount of Revenue Support Grant (RSG) paid by the government
- ◆ The Council's share of the national non-domestic rate pool
- ◆ Any surplus or deficit on the Council's collection fund
- ◆ Any decisions by the Council to use reserves to support the budget

2.6 Annexes Two sets out the estimated standstill position for each of the above factors, assuming acceptance of the recommendations in the accompanying report on reserves and balances.

2.7 An analysis of the Annex Three indicates the standstill budget would produce a Band D Council Tax as follows :-

	Band D Council Tax £	% Increase
2008-09	199.31	10.66
2009-10	188.30	(5.53)
2010-11	197.69	4.99

2.8 Members will note that by applying transitional reserves to offset the financial blip that occurs in 2008-09, and using the consultation increase of 5% per annum a balanced budget can be achieved with a surplus at the end of 2010-11 of £336,000.

- 2.9 The table at the bottom of Annex Two shows, for illustrative purposes, the additional resources generated or savings required, based on Council Tax increases of 0%, 2%, and 3% to 7%.
- 2.10 As a rough guide a 1% increase in Council Tax is approximately equivalent to £54,000 per annum which if sustained over the three year period would generate £54,000 in 2008-09, £109,000 in 2009-10 rising to £165,000 in 2010-11
- 2.11 Although universal Council Tax capping no longer applies, the Government still has powers to limit the budget of a Council if it considers that its budget, or its year on year increase, is too high. The Government have stated that they expect to see average council tax increases in each of the next two years of less than 5%. Excessive increases i.e. in excess of 5% will be capped. This potential for capping must be taken into consideration when setting the Council Tax. If the Council should be capped retrospectively it will not only have to reduce its spending, but also bear the cost of sending out all its Council Tax bills again.

Section 3

3. Contribution to CHASE

- 3.1 The revenue budget reflects the agreed priorities of the Council as determined by the Delivering Change process and hence directly contributes to CHASE. The standstill budget expresses the cost of continuing with the Council's current policies into the future whereas Delivering Change both determines and re-allocates resources in accordance with agreed priorities.

Section 4

4. Section 17 (Crime Prevention) Implications

- 4.1 Not applicable.

Section 5

5. Human Rights Act Implications

- 5.1 There are no identified implications in respect of the Human Rights Act 1996

Section 6

6. Data Protection Implications

- 6.1 There are no identified implications in respect of the Data Protection Act.

Section 7

7. Risk Management Implications

- 7.1 The risk management implications of the budget are contained within the Reserves and Balances report which is to be considered as part of this Agenda.

Section 8

8. Legal Implications

- 8.1 The legal implications are set out throughout the report including the statutory requirement for the Council to set a balanced budget.

Section 9

9. Financial Implications

- 9.1 The Financial implications have been referred to through out the report.

Section 10

10. Human Resource Implications

- 10.1 In accordance with the Council's normal practice a series of employee and trade union briefings will be programmed to take place at the same time as the Council's budget proposals are made available to the public.
- 10.2 Further targeted briefings and consultations will take place with both employees and trade unions once the Council's final budget proposals are determined.

Section 11

11. Conclusion

- 11.1 That Cabinet in preparing a Balanced Budget for 2008-09 and indicative budget for 2009-10 and 2010-11 notes the information as contained in this report and the other reports relating to the budget process as detailed on the Agenda.

Section 12

12. List of Background Papers

Section 13

13. Annexes to the report

Annex One Standstill Net Expenditure

Annex Two Standstill Resources

Annex Three

Annex One**General Fund Revenue Budget 2007-08 to 2010-11**
Projection as at 4/02/2008

	Forecast Outturn 2007-08 £m	Standstill Budget 2008-09 £m	Standstill Budget 2009-10 £m	Standstill Budget 2010-11 £m
Original Budget 2007-08				
Standstill Budget 2007-08 to 2009-10	13.298	13.834	14.432	14.432
Supplementary Estimates since Original Budget Approval				
Rollovers	0.396			
Members Allowances	0.052	0.072	0.073	0.075
Approved Budget	13.746	13.906	14.505	14.507
Committed Changes				
District Elections				0.103
Benefits Administration		-0.021	-0.002	0.017
Likely Additional Commitments				
Pension contributions Gross				0.145
HRA Recharges				-0.027
Demographic Changes				
Refuse & Recycling				0.014
Concessionary Fares				0.020
LABGI	-0.050			
Car Parks - Avon Road			0.078	0.078
DPE		-0.035	0.045	-0.013
Interest - Avon Road			-0.100	-0.090
Planning Delivery Grant	0.060			
Leisure Strategy				
Revised Implementation	0.364	-0.295	-0.950	-0.792
Delayed Closure	0.076	0.039		
Capital salaries	0.075	0.075		
Inflation				0.365
Efficiency Savings				
Gershon		0.025		
Total Base Budget	14.271	13.694	13.576	14.327

General Fund Revenue Budget 2007-08 to 2010-11
Projection as at 4/02/2008

	Forecast Outturn 2007-08 £m	Standstill Budget 2008-09 £m	Standstill Budget 2009-10 £m	Standstill Budget 2010-11 £m
Potential Changes and Adjustments				
Base Budget Review				
Contaminated Land		0.001	0.001	0.001
Local Government New Conduct Regime (Lower-Tier) Adjustment		0.002	0.002	0.002
Stray Dog (Lower-Tier) Adjustment		0.006	0.006	0.006
Expenditure				
Turnover	0.150	0.114	0.122	0.125
Concessionary fares	0.050	0.052	0.053	0.055
Chase Leisure Centre	0.110	0.113	0.116	0.118
- Security	0.024	0.025	0.013	
Income				
Planning Income	-0.060			
Planning Fees		-0.089	-0.091	-0.094
Car Park Income	0.050	0.075	0.075	0.075
Chase Leisure Centre	0.120	0.153	0.157	0.161
Golf Course	0.056	0.040	0.040	0.040
Local Land Charges		0.065	0.067	0.069
Licensing Fees	0.023			
Interest	-0.140	0.056	0.170	0.200
Section 106 Interest	-0.096			
Manager Variations	-0.163	-0.037	-0.038	-0.117
Shop Mobility	-0.024			
Policy Options				
Growth				
Savings				
Rephasing Expenditure				
Civil Contingencies	-0.032	0.032		
Estimated Net Spending	14.339	14.300	14.269	14.969

Annex Two**General Fund Revenue Budget 2007-08 to 2010-11**

Projection as at 4/02/2008

	Standstill Budget 2007-08 £m	Standstill Budget 2008-09 £m	Standstill Budget 2009-10 £m	Standstill Budget 2010-11 £m
Financing				
Anticipated Grant Income, Use of Balances & Reserves				
Balances	0.639	-0.915	0.006	-0.015
Other Reserves	0.076	0.006		
External Inspections	0.100			
NDR Reserve	0.154			
Actuarial Valuation		0.837	0.123	0.149
Interim use		0.390	-0.301	-0.039
Building Control				
Collection Fund Surplus	-0.058	0.000		
RSG/NDR	8.105	8.314	8.429	8.518
Council Tax	5.323	5.668	6.011	6.356
0.000 Total Grant Income, Use of Balances & Reserves	14.339	14.300	14.269	14.969
Amount to be found from Council Tax	5.323	5.668	6.011	6.356
	29,554	29,972	30,271	30,483
Estimated Council Tax Level	180.12	189.13	198.58	208.51
Estimated Council Tax Increase	4.90%	5.00%	5.00%	5.00%
Balances				
Opening Balances at 1 April	1.621	0.982	1.897	1.891
Use of Balances to Support Budget	0.639	-0.915	0.006	-0.015
Closing Balances at 31 March	0.982	1.897	1.891	1.906
<u>Saving Requirement</u>				
Required Balances		1.898	1.891	1.570
Cumulative Shortfall		-0.000	0.000	0.336

General Fund Revenue Budget 2007-08 to 2010-11
Projection as at 4/02/2008

	Forecast Outturn 2007-08 £m	Standstill Budget 2008-09 £m	Standstill Budget 2009-10 £m	Standstill Budget 2010-11 £m
Implications of Varying Council Tax Levels				
7% / Council Tax Level				
Revised	180.12	192.73	206.22	220.65
Adjustment Required to Budget		0.108	0.231	0.370
Revised Surplus		0.108	0.339	1.045
5% / Council Tax Level				
Revised	180.12	189.13	198.58	208.51
Adjustment Required to Budget		0.000	0.000	0.000
Revised Surplus		-0.000	0.000	0.336
4% / Council Tax Level				
Revised	180.12	187.32	194.82	202.61
Adjustment Required to Budget	0.000	-0.054	-0.114	-0.180
Revised Shortfall		-0.054	-0.168	-0.012
3% / Council Tax Level				
Revised	180.12	185.52	191.09	196.82
Adjustment Required to Budget	0.000	-0.108	-0.227	-0.356
Revised Shortfall			-0.335	-0.355
2.5% / Council Tax Level				
Revised	180.12	184.62	189.24	193.97
Adjustment Required to Budget	0.000	-0.135	-0.283	-0.443
Revised Shortfall			-0.418	-0.525
0% / Council Tax Level				
Revised	180.12	180.12	180.12	180.12
Adjustment Required to Budget	0.000	-0.270	-0.559	-0.865
Revised Shortfall			-0.829	-1.359

Annex Three**General Fund Revenue Budget 2007-08 to 2010-11**
Projection as at 4/02/2008

	Standstill Budget 2007-08 £m	Standstill Budget 2008-09 £m	Standstill Budget 2009-10 £m	Standstill Budget 2010-11 £m
Financing				
Anticipated Grant Income, Use of Balances & Reserves				
Balances	0.639	-0.915	0.007	0.320
Other Reserves	0.076	0.006		
External Inspections	0.100			
NNDR Reserve	0.154			
Actuarial Valuation		0.837	0.123	0.149
Interim use		0.085	0.010	-0.045
Building Control				
Collection Fund Surplus	-0.058	0.000		
RSG/NNDR	8.105	8.314	8.429	8.518
Council Tax	5.323	5.974	5.700	6.026
0.000 Total Grant Income, Use of Balances & Reserves	14.339	14.300	14.269	14.969
Amount to be found from Council Tax	5.323	5.974	5.700	6.026
	29,554	29,972	30,271	30,483
Estimated Council Tax Level	180.12	199.31	188.30	197.69
Estimated Council Tax Increase	4.90%	10.66%	-5.53%	4.99%
Balances				
Opening Balances at 1 April	1.621	0.982	1.898	1.891
Use of Balances to Support Budget	0.639	-0.915	0.007	0.320
Closing Balances at 31 March	0.982	1.898	1.891	1.570
<u>Saving Requirement</u>				
Required Balances		1.898	1.891	1.570
Cumulative Shortfall		0.000	0.000	0.000