

Agenda Item

Executive Board

15 February 2006



Revenue and Capital estimates 2006/07.

Summary

The Executive Board adopted draft Revenue and Capital Estimates for 2006/07 on the 18 January 2006. The Scrutiny and Corporate Overview Committees and the East Devon Business Forum have now considered these and their recommendations are presented here for consideration.

The Executive Board is required to recommend the Revenue and Capital Estimates for 2006/07, to reaffirm; the use of investment income, the intention to borrow £1.582m to fund capital expenditure associated with the new refuse and recycling contract, that a revenue contribution is to be made in 2006/07 equivalent to savings made in the 2005/06 General Fund budget and to consider the Council's position on balances and to recommend the Council Tax Requirement for 2006/07.

As part of the Prudential Code for Capital Finance in Local Authorities the Council is also required to set Prudential indicators as part of its budget setting report.

Recommendation

It is recommended that:

1. The Revenue and Capital Estimates for 2006/07 are approved.
2. Investment income is used to fund revenue expenditure exclusively (estimated at £1.060m).
3. A 10 year loan is obtained to finance the capital investment in the new refuse and recycling contract (estimated at £1.582m).
4. That a sum equivalent to the savings made on the 2005/06 General Fund budget is used in 2006/07 as a revenue contribution to capital, subject to maintaining the General Fund Balance at the agreed advisory level (estimated at £0.475m).
5. Consideration is given to Appendix A where Items of service enhancements totalling £294,000 can be accommodated within the 2006/07 budget at a Council Tax requirement set out in recommendation 6.
6. A Council Tax requirement is set for 2006/07 at £6.283m with a resulting Council Tax Band 'D' of £112.34 (annual increase of £5.25, or 4.9%).
7. Council House Rents are increased from 3 April 2006 on average by 4.8% to £52.54 a week in line with the Government Social Rent Reform guidelines.
8. Council garage rents are increased from 3 April 2006 by 10% to £6.60 per week (excluding VAT where applicable).
9. That the Prudential indicators detailed in Appendix B of this report are adopted.

a) Reasons for Recommendation

There is a requirement for the Council to set a balanced budget for both the General Fund and Housing Revenue Account and to levy a Council Tax for 2006/07.

b) Alternative Options

Please see main body of report

c) Risk Considerations

Risks have been considered in preparing the budgets and the financial implications have been assessed at the point of preparation. Various budget assumptions have been made including the treatment of inflation and interest rates, estimates on the level and timing of capital receipts, the treatment of demand led pressures, the treatment of planned efficiency savings/productivity gains and levels of income, financial risks inherent in any new arrangements and the availability of funds to deal with major contingencies and the need for any provisions. In each of these areas the Council's financial standing, management and track record has been considered in order to prepare robust budget proposals.

The Minister for Local Government, Phil Woolas, has stated that the Government would expect to see average council tax increases in each of the next two years of less than 5%. Further he has stated that local government should be under no illusions; if there are excessive increases, government will take capping action, as they have done over the last two years.

The Council's proposed budget currently produces a Council Tax increase of less than 5%, serious consideration needs to be given if the Executive Board decides to recommend a budget which increases the costs of the current proposals. There are severe consequences should the Council be capped: cost of re-billing in terms of staff time, printing and postage costs and the effect this will have on our collection rate if council tax payers decide not to pay until revised bills are sent to them.

d) Policy and Budgetary Considerations

The position is outlined in the report.

e) Date for Review of Decision

Full Council on the 22 February 2006.

1. Introduction.

1.1 The Executive Board adopted draft revenue and capital estimates for 2006/07 on the 18 January 2006 (minute item 127 & 128). The Scrutiny and Corporate Overview Committees and the East Devon Business Forum considered these and their recommendations are now presented here for consideration.

1.2 The Executive Board is required to recommend to Council the Revenue and Capital Estimates for 2006/07 and the associated Council Tax Requirement and Council Tax level and Council House and Garage rents levels. Also to reaffirm;

- Investment income is used to fund revenue expenditure exclusively (estimated at £1.060m).
- A 10 year loan is to be obtained to finance the capital investment in the new refuse and recycling contract (estimated at £1.582m).

- That a sum equivalent to the savings made on the 2005/06 General Fund budget is used in 2006/07 as a revenue contribution to capital, subject to maintaining the advisory level on the General Fund Balance, (estimated savings of £0.579m less amount required to maintain General Fund Balance at agreed advisory level of £0.104m) the contribution is estimated at £0.475m.

2. Estimates 2005/06.

- 2.1 Included within this Agenda is the Revenue and Capital Monitoring Report 2005/06 – Month Nine. This gives the latest prediction relating to the Reserves and Balances to be held by the Council at the end of the current financial year, these being:

Reserve/Balance	Estimated Balance 31 st March 2006
General Fund	£ 1.588m
General Reserve	£12.191m
Capital Receipts	£ 0.234m
Housing Revenue Account	£ 0.986m

3. Revenue and Capital Estimates 2006/07

- 3.1 The Scrutiny and Corporate Overview Committees have considered the draft estimates adopted by the Executive Board on the 18 January. The estimates were also presented to the East Devon Business Forum for their consideration.
- 3.2 No amendments were recommended to the draft budgets that were presented.
- 3.3 Currently the proposed budget equates to a Council Tax requirement of £6.283m with a resulting Council Tax Band D of £112.34 (annual increase of £5.25, or 4.9%). At this level there is scope to add service enhancement of £294,000. A list of enhancements for consideration is attached in Appendix A totalling £610,550.
- 3.3.1 Consideration has been given and recommendations made by both the Scrutiny and Corporate Overview Committees on the list of service enhancements for possible inclusion in next years general fund revenue budget. Both Committees agreed on the same list of schemes for inclusion, totalling £204,230, and the preferred items have been indicated on the enhanced service list, contained in Appendix A. The overall draft 2006/07 budget also received broad support from the Business Forum at its meeting on the 26 January 2006, who were particularly encouraged by the confirmation that the two economic development posts had been included in next years budget.
- 3.4 A change from the draft budget presented to the Executive Board in January is that the figure included for 2006/07 Formula Grant was a provisional settlement figure of £7,494,312. The final figure has now been announced giving a revised amount of £7,495,130, giving an additional sum of £818 that can be added to the amount to be spent on service enhancements.
- 3.5 The Executive Board agreed on the 18 January to use the anticipated £1.060m of investment income (net of the element required to be paid to the Housing Revenue Account) totally for revenue purposes.
- 3.6 The budget proposed includes a sum of £192,000 for interest and loan repayments based on borrowing £1.582m over 10 years to finance the capital investment required in delivering the refuse and recycling contract. The implications of borrowing this sum has been reflected in the Council's Prudential Indicators outlined in Appendix B to this report.

4. Council's Balances and Reserves

- 4.1 After taking account of proposals in the 2006/07 budgets and the anticipated use in the current year, then the expected balances at the 31 March are;

Reserve/Balance	Estimated Balance 31 March 2006	Movement In 2006/07	Estimated Balance 31 March 2007	Agreed Recommended Levels
General Fund	£ 1.588m	-£0.475m	£1.113m	£ 1.113m
General Reserve	£12.191m	-	£12.191m	£12.191m
Capital Receipts	£ 0.234m	-£0.234m	-	-
Housing Revenue Account	£ 0.986m	£0.165m	£1.151m	£1.055m

Note: where "-" is used this indicates a transfer or payment out.

5. Summary Position

- 5.1 Below is a summary position of the 2006/07 Revenue and Capital estimates and the proposed funding:

Proposed Figures:	Revenue £m	Capital £m
Net Expenditure	14.838	4.608
Funded from:		
Formula Grant (Government Grant)	7.495	-
Interest	1.060	-
Capital Receipts generated in year	-	1.006
Capital receipts held from previous year	-	0.372
Transitional Pooling contribution (ODPM)	-	188
Loan	-	1.582
Housing Revenue Contribution	-	0.238
Transfer from/to (-) Balances;		
General Reserve	-	*0.745
General Fund	-	0.475
Required from Council Tax payers	6.283	-

* It is envisaged that this sum will not be required as scheme expenditure will be reduced within the year and/or additional receipts will materialise, but the use of Reserves is shown for completeness.

6. Council Tax Base 2006/07

- 6.1 The 2006/07 Council Tax Base has been determined at 55,930, equivalent Band "D" properties; the Tax Base in 2005/06 was 55,703.

7. Council Tax requirement 2006/07

- 7.1 The Band D Council Tax requirement for East Devon purposes is determined by dividing the sum required from Council Tax payers as shown in the table in 6.1 above by the Council Tax Base in 7.1 above. That is:

	2005/06 £	2006/07 £ To be agreed	% increase
Amount required from Council Tax payers	5,965,230	6,283,000	
Divided by Council Tax Base	£107.09	£112.34	4.9%

8. Collection Fund

- 8.1 The Council is required to maintain a separate account to receive council tax, national non-domestic rates and residual community charge receipts. Payments to precepting authorities, including East Devon, are also recorded.
- 8.2 The estimated year end surplus or deficit on this account, if any, will either increase or reduce their precept requirements. It is considered that there will be no such sum in 2006/07 (there was no sum in 2005/06).

9. The Prudential Code for Capital Finance in Local Authorities

- 9.1 The Prudential Code for Capital Finance in Local Authorities was included in the Local Government Act 2003 and came into force for the financial year 2004/05.
- 9.2 As a key part of the Code each authority is required to report on a series of Prudential indicators, which are designed to support and record local decision making. These indicators are required to be part of the Council's budget setting report and attempt to show the overall effect on various financing and borrowing strategies that the Council plans to adopt over the next three financial years. These indicators will be monitored and reported and when necessary updated to reflect any changes in policy.
- 9.3 This Council's Prudential indicators are shown in Appendix B to this report and include some explanations to assist Members in understanding the purpose of each indicator.

Legal Implications

There are no apparent legal implications other than those disclosed in the Report.

Financial Implications

The Council has previously stated its commitment to setting a balanced budget and maintaining its Balances and Reserves at agreed levels.

The Government has also stated it is prepared to cap local authorities who in their opinion have set their Council Tax increase at an excessive level. The Government has stated it is looking for increases below 5%.

The budget presented assumes a Council Tax rise of 4.9% (£5.25 a week) and represents a balanced budget whilst maintaining the Council's Balances and Reserves at agreed levels.

Any amendment to the proposed budget will need to consider the implications on; a balanced budget, the agreed Balances and Reserve levels of the Council and the increase in Council Tax.

Consultation on Reports to the Executive

Details of this report have been considered by the Scrutiny and Corporate Overview Committees and the East Devon Business Forum.

Background Papers

- Finance Internal estimate working papers.
- Local Government Finance Settlement.
- Housing Subsidy Determinations.
- Local Government Act 2003
- Medium Term Financial Plan.
- Capital Strategy
- Details from external investment Fund Manager.
- Reports and minutes from the following Committees – Executive Board 18/1/06, Scrutiny Committee 25/1/06 and Corporate Overview 2/2/06.
- Council's Reserves report to the Audit and Accounts Committee 28 July 2005.

Simon Davey
Head of Finance

Executive Board
15 February 2006
