

## **Agenda Item**

**Executive Board**

**30 January 2008**



## **Service Plans and Revenue and Capital estimates 2008/09.**

### **Summary**

The Executive Board adopted draft Revenue and Capital Estimates for 2008/09 at its meeting on 19 December 2007. The Scrutiny and Corporate Overview Committees will review Service Plans for 2008/11, with the associated budgets, at a joint committee meeting to be held on 24 January. Their considerations will then be forwarded to the Board. The work of this Joint Committee has been aided by a Task and Finish Forum (TaFF) which was formed to carry out a day long review of the Service Plans and associated budgets with the purpose of ensuring those Plans would deliver the Council's new Corporate Strategy. The TaFF also considered the special items bids being requested and made recommendations on their support or otherwise for those schemes.

A detailed draft estimate book was presented to the last meeting of the Executive Board and the draft Service Plans prepared by Heads of Service are also now available.

The Executive Board is asked to recommend the Service Plans and Revenue and Capital Estimates for 2008/09 and to reaffirm decisions identified in the body of this report

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 and these append this report.

## **Recommendation**

It is recommended:

1. That the savings made in previous years totalling £0.442m and £0.050m in the Collection Fund surplus will be used in 2008/09 on the following items to be included in the budget;
  - £350,000 to create an earmarked reserve for the recycling and refuse scheme.
  - £142,000 being the balance available to fund special items bids to be included in 2008/09 budget.
2. That any further savings achieved in the 2007/08 General Fund budget will be used in 2008/09 on special item bids currently not included in the 2008/09 budget, under the condition the Council maintains its adopted General Fund Balance.

The details and sums will be presented to the Executive Board in the Revenue and Capital Outturn Report in June 2008 once the final year end position is known.

3. That the Committee agree which of the special Items bids should be supported and that delegated authority be given to the Chief Executive in consultation with the Leader of the Council to determine which schemes should be included in the budget at this stage and which schemes should be included if funds are available later in June 2008.
4. The Service Plans and Net Revenue General Fund Estimates of £6.663m and the Housing Revenue Account Estimates of a net deficit of £0.349m are approved.
5. A Council Tax requirement is set for 2008/09 at £6.663m with a resulting Council Tax Band 'D' of £118.24 (annual increase of £5.08, or 4.49%).
6. Council House Rents are increased from April 2008 in line with the Government Social Rent Reform guidelines with the general increase being given at 4.4% increase.
7. Council garage rents are increased from April 2008 by 10%.
8. 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 2008/09. The presentation of Service Plans to the Executive Board allows Members to examine the future plans of all services.

### **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; levels of income; financial risks inherent in any new arrangements; capital developments; 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.

Consideration must also be given to the powers available to the Government to 'cap' an authority's budget in the event of the council setting a budget and council tax which is not significantly below the 5% level considered appropriate by the Department for Communities and Local Government (DCLG),

A failure to meet service improvements and performance indicators contained within service plans may result in the Council being criticised in a future inspection and could also compromise the Council's reputation and budgets.

**d) Policy and Budgetary Considerations**

Service Plans and the associated estimates have been prepared in line with the new Corporate Strategy and in conjunction with the Council's Financial Strategy (2008 onwards).

The draft budget contains income from fees and charges which reflect proposed increases in conjunction with Portfolio Holders agreement. The most significant income we receive is through car park charges; here the hourly charge has increased from 80p to 85p, a new parking period of 35 minutes as opposed to 15 minutes as been introduced and proposals that charges in a number of under utilised car parks are to be reduced.

**e) Date for Review of Decision**

Full Council 20 February 2008. The planned improvements in the Service Plans will be monitored quarterly during 2008/09.

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**1. Introduction.**

- 1.1 The Executive Board adopted draft revenue and capital estimates on the 19 December 2008. These are then to be considered with service plans by the Scrutiny and Corporate Overview committees and for the Housing Revenue Account estimates the Housing Review Board.
- 1.2 The Draft Service Plans 2008/11 and associated estimates were considered by a Joint Task and Finish Forum of the Scrutiny and Corporate Overview Committees on 10 January. Their conclusions will then be debated at a joint Scrutiny and Corporate Overview Committee on 24 January.
- 1.3 The purpose of the TaFF was to undertake the detailed work on behalf of the Joint Committee and to focus on each services contribution to the Council's 7 Priorities and 17 outcomes in the new Corporate Strategy. Consideration was also given to services request for special items bids currently not included in the draft budget. The joint Committee at its meeting on the 24 January will then be invited to take a broad corporate view and to consider if the draft Service Plans and associated budgets will achieve the Corporate Strategy. The minutes of this meeting will then be circulated to the Executive Board and their recommendations considered as part of this report.

**2. Update from previous Executive Board meeting.**

- 2.1 A detailed report was presented to the Executive Board on 19 December on the Revenue and Capital estimates for 2008/09 along with the detailed estimate book showing the draft budget, service by service, with main variations to the current year budget explained. The detailed Service Plans are now ready available on the website for reference. The plans and budgets have been prepared hand in hand.
- 2.2 Since the last meeting of the Board further information is now available relating to the draft budgets and/or further consideration is required on certain issues. These are discussed below;

## **General Fund – Revenue**

### **2.2.1 Capping**

In the December report it was identified as a risk the possibility of being capped at the proposed council tax increase of 4.99%. Although we will not know the rules or level of capping until after council's have set their tax, indications are that 4.99% would be towards the upper end of levels set and could attract Government attention in terms of capping. Best advice and certainly the indication locally is that councils will be looking at an increase below 4.5%; apart from one which is going for 4.6%. These are however provisional figures and they have not yet been confirmed at member level. For information, the Retail Price Index showed inflation for November at 4.3%.

Below is a table showing the effect on our budget if we reduce the Council Tax level from the proposed 4.99% increase.

| <b>Council Tax Increase</b> | <b>Amount (a year)</b> | <b>Income</b> | <b>Saving required compared with 4.99% increase</b> |
|-----------------------------|------------------------|---------------|---|
| 4.99%                       | £118.81                | £6,694,950    | -   |
| 4.49%                       | £118.24                | £6,662,820    | £32,130   |
| 4.30%                       | £118.03                | £6,650,990    | £43,960   |
| 3.99%                       | £117.68                | £6,631,270    | £63,680   |

### **2.2.2 Pension Contributions**

At the time of presenting the draft budget we were awaiting the outcome of the actuary's pension's review affecting our next three years contribution. Figures are now available and we have the option to make a stepped contribution rate of; 2008/09 16.9%, 2009/10 17.60% and 2010/11 18.3% or to make a fixed rate contribution for each year of 18.10%. The percentages relate to the employers rate of contribution as a percentage of pensionable pay.

Both options are calculated to recover the pension fund deficit over a period of 25 years; the stepped approach requires lower cash payments in the early years and higher amounts in future years to catch up. Based on the amounts we estimated in the draft budget the stepped approach gives us a saving next year of £51,000, if we opted for the fixed rate then we would need to find an additional £59,000 to that assumed. These rates are still subject to "fine tuning" by the actuary but any alterations are assumed to be minor.

It is proposed that we adopt the stepped approach and reflect the future pension increases into the Financial Strategy and our medium term financial plans. As stated this gives a saving of £51,000 based on the draft budget agreed on 19 December.

### **2.2.3 Local Government Re-Organisation in Devon**

The Executive Board agreed at its December meeting to make a budget provision of £250,000 in 2008/09 to support the staffing and other costs required to resource a Reorganisation Project. Although exact costs and timing and also the need to incur this expenditure has not been ascertained at this stage, by using reserves (assuming this will be the General Reserve) then there is an implication on interest receipts which has not been reflected in the draft budget. It is suggested at this stage interest receipts should be reduced in the order of £7,100 to reflect the use of this money. This sum is the estimated loss of interest and does not include repaying the actual amount borrowed from the reserve.

#### 2.2.4 **Special Item bids (Detailed in Appendix A)**

Special item bids presented to the Executive Board in December amounted to £368,000, since then two additional items have been added to the list. An additional staffing resource in the Internal Audit Section of a 0.5 full time equivalent including training costing £19,270 and £100,000 to match fund with Devon County Council for design work for the enhancement of the Strand in Exmouth. These special items bids were debated in detail by the TaFF.

Total bids now equate to £487,270, with four schemes being proposed to be funded through the Local Authority Business Growth Incentive Scheme (LABGI) totalling £165,000. If this is agreed then this leaves £322,270 to be funded from savings.

The savings available from previous years total £442,000, to this can be added £50,000 for a Collection Fund surplus available for 2008/09 giving £0.492m available to spend. It was previously agreed that £0.350m of this would be used to create an earmarked reserve for the recycling and refuse scheme which leaves £0.142m available to fund special item bids to be included in 2008/09 budget at this stage.

It is anticipated that further savings will be available from the current year, estimated at the moment to be £0.175m. However the exact sums available will not be known until final outturn figures are presented to the Board in the Revenue and Capital Outturn Report in June 2008.

The Executive Board need to give consideration to these items which are currently excluded from the budget. It is suggested that Members agree which schemes they recommend for funding and that due to the differing natures of the schemes in terms of appropriate timing for implementation, i.e. whether approval needs to be now in order to implement or whether approval can wait until June 2008, it is suggested that delegated authority is given to the Chief Executive in consultation with the Leader of the Council over which schemes should be included in the budget now and for those to be included in June subject to funds being available.

#### **Housing Revenue Account (HRA)**

- 2.2.5 Since the draft budget was adopted, the amount the Council has to pay in Housing Subsidy to the Government has altered. The DCLG (Department for Communities and Local Government) have informed us that they miscalculated the Major Repairs Allowance for all local authorities. This has resulted in an increase in payment to the Department of £123,050. In order to maintain the HRA balance at an acceptable level next year it has been necessary to reduce expenditure in the draft budget by £92,380. This amount has been taken from the modernisation budget reducing the sum from £335,000 to £242,620. The draft budget, including the revisions was approved by the Housing Review Board on 10 January. The budget deficit now to be taken from the HRA balance is £349,260 for 2008/09.

#### **Capital Programme**

- 2.2.6 Concerns over funding the Capital Programme were expressed in the December report and it was agreed that there was a need to set up a TaFF to consider the future Programme and look at the issues in more detail. The findings and recommendations of the TaFF will be reported back to the Executive Board. The current position showing the extent of the problem for 2008/09 is shown below:

| <b>Capital Programme</b>                      | <b>2008/09<br/>£'m</b> |
|---|------------------------|
| <b>Proposed Programme</b>                     | <b>3.810</b>           |
| <b>Funds available:</b>                       |                        |
| <b>Receipts available from previous years</b> | <b>-0.601</b>          |
| <b>In Year Receipts</b>                       | <b>-2.023</b>          |
| <b>Loan</b>                                   | <b>-0.420</b>          |
| <b>HRA Contribution</b>                       | <b>-0.250</b>          |
| <b>General Fund Contribution</b>              | <b>0</b>               |
| <b>Shortfall / (Surplus)</b>                  | <b>£0.516m</b>         |

In addition to the proposed programme figure of £3.810m in 2008/09 new bids have been received for consideration in next years capital programme totalling £1.183m. £0.500m of this includes a bid to facilitate affordable housing. These are not included in the current proposed programme, if included this would give the programme a shortfall for next year of £1.699m.

### 3. Revenue Estimates 2008/09

5.1 In summary the position for 2008/09 considering the above is as follows;

#### General Fund

| <b>Proposed Figures:</b>                | <b>General Fund Revenue<br/>£m</b> |
|---|------------------------------------|
| Net Expenditure excluding special items | 16.080                             |
| Funded from:                            |                                    |
| Formula Grant (Government Grant)        | 7.810                              |
| Interest                                | 1.607                              |
| <b>Required from Council Tax payers</b> | <b>6.663</b>                       |

- The 2008/09 Council Tax Base has been determined at 56,350, equivalent Band "D" properties. This is used to calculate the Council Tax for a Band D property.
- The amount required from Council Tax payers in 2008/09 is £6.663m which results in a Council Tax Band 'D' of £118.24 (annual increase of £5.08, or 4.49%).
- Investment income is used to fund revenue expenditure exclusively (estimated at £1.607m for the General Fund).

#### Housing Revenue Account

| <b>Proposed Figures:</b>                      | <b>Housing Revenue<br/>Account<br/>£m</b> |
|---|---|
| Expenditure                                   | 14.090                                    |
| Funded from:                                  |   |
| Property and Garage Rents                     | 13.584                                    |
| Other rents & Income                          | 0.061                                     |
| Interest                                      | 0.096                                     |
| Transfer from Housing Revenue Account Balance | 0.349                                     |

- Council House Rents are increased from April 2008 in line with the Government Social Rent Reform guidelines with the general increase being given of 4.4%. Individual property rent increases will vary dependant on the current rent level and the target rent for each property at the end of the 10 year convergence period.
- Council garage rents are increased from April 2008 by 10%.
- Investment income is used to fund revenue expenditure exclusively (estimated at £0.093m for the Housing Revenue Account).

## 6. Council's Balances and Reserves

- 6.1 After taking account of proposals in the 2008/09 budgets then the expected balances at the 31 March are;

| Reserve/Balance         | Estimated Balance 31 March 2008 | Movement In 2008/09 | Estimated Balance 31 March 2009 | Agreed Recommended Levels |
|-------------------------|---------------------------------|---------------------|---------------------------------|---------------------------|
| General Fund            | £ 1.891m                        | -£0.803m<br>(1)     | £1.088m                         | £1.088m                   |
| General Reserve         | £12.191m                        | -£0.250m            | £11.941m                        | £11.941m                  |
| Capital Receipts        | £ 0.601m                        | -£0.601m            | -                               | -                         |
| Housing Revenue Account | £ 1.372m                        | £0.349m<br>(2)      | £1.023m                         | £1.054m                   |

Notes: (1) The £0.803m to be used in 2008/09 comprises: £0.186m LABGI monies, £0.442m in savings from previous years and an estimated £0.175m in savings from 2007/08.

(2) This transfer from reserves does take the estimated balance slightly below our recommended minimum level; however it is minor sum and considered acceptable, this will be monitored closely through the year.

## 7. The Prudential Code for Capital Finance in Local Authorities

- 7.1 The Prudential Code for Capital Finance in Local Authorities gives the requirement 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.
- 7.2 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.

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### 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.

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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 significantly below 5%.

The budget presented assumes a Council Tax rise of 4.49% (£5.08 a year) 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 Housing Review Board. Details have been sent to the East Devon Business Forum for comment.

### **Background Papers**

- Finance Internal estimate working papers.
- Local Government Finance Settlement.
- Housing Subsidy Determinations.
- Local Government Act 2003
- Financial Strategy 2008 onwards
- Capital Strategy
- Details from external investment Fund Manager.
- Reports and minutes from the following Committees – Executive Board 19/12/07, Joint Scrutiny and Corporate Overview Committee 24/1/08 including minutes from associated TaFF.
- Council's Reserves report to the Audit and Accounts Committee 28 July 2005.

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Simon Davey  
Head of Finance

Executive Board  
30 January 2008

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