

Report to: **Extraordinary Meeting of the Council**  
Date: **21<sup>st</sup> February 2007.**  
Report of: **Director of Finance and Corporate Services**  
Subject: **General Fund Budget for 2007/2008 and the Medium Term Financial Strategy for 2007/8 to 2009/10**  
Ward: **All**

## **1. Purpose of the Report**

- 1.1 To approve the Medium Term Financial Strategy for 3 years from 2007/8 to 2009/10.
- 1.2 To approve General Fund Estimates for 2007/8.

*Appendix 13 is a glossary of terms to assist members with the terminology in the report.*

## **2. Structure of the Report**

- 2.1 The report is very comprehensive and is structured over the following sections: -

- 3. Consultation
- 4. Executive Summary
- 5. Medium Term Financial Strategy
- 6. General Fund Revenue – Budget Proposals for 2007/2008
- 7. Budget Requirement
- 8. Collection Fund Demand
- 9. Parish/Town Council Precepts
- 10. Implications
- 11. Recommendations  
Appendices

## **3. Consultation**

- 3.1 In preparing the report I have consulted with the Executive, Resources Scrutiny Committee, the Management Team, Heads of Service and officers responsible for managing budgets. The strategy and recommendations will be placed on the Web Site.

## **4. Executive Summary**

*Section 25 of Part 2 of the local Government Act 2003 requires Chief Financial Officers to report on the robustness of the estimates included in the budget and the adequacy of the reserves for which the budget provides.*

*My detailed report is presented in Appendix 1 and whilst in my opinion the Council's estimates for 2007/8 are robust and the financial reserves are adequate in the medium to long term it should be noted that in determining the medium term position there is a degree of uncertainty around government funding beyond 2007/8.*

- 4.1 This years report sets the 2007/8 budgets and seeks approval for the Medium Term Plan covering the period 2007/8 to 2009/10, which is set against the Council's Medium Term Financial Strategy Framework. (Appendix 2).
- 4.2 The Medium Term Financial Plan ensures our budgets are fully integrated and aligned to the Council's objectives through the corporate plan and community strategy. For 2007/8

- bids for growth have been considered against those priorities as well as legislative requirements.
- 4.3 The budget has been prepared against the backcloth of information previously presented to the Executive Committee, Resources Scrutiny Committee and members of the Council during the course of the year
  - 4.4 In cash terms the Council received £282,000 (2.4%) in additional grant for 2007/8. Our settlement amounted to £12.011m which following adjustment was £35k less than that notified last year.
  - 4.5 The Medium Term Financial Plan was reviewed at the half-year stage in a recent report to Executive Committee taking into account emerging issues from the 2007/8-budget process. I'm pleased to report that the position has stabilised following corrective action and a budget efficiency process, which realised around £240k. The reductions will not affect service delivery.
  - 4.6 During the process reserves were reviewed and the proposals are presented in paragraph 5.5.24 for consideration
  - 4.7 Requests for additional resources are value at £1.157m of which £341m are recurring costs and if approved will be included in future base budgets. (Appendix 4).
  - 4.8 The budget has taken into account the revenue implications of a capital programme estimated at £14.77m.
  - 4.9 Approval is sought for the proposed Treasury Management Strategy incorporating suggested borrowing limits. (Appendix 6).
  - 4.10 Within this report I have also included, for approval, the Prudential Indicators, which are a requirement of the prudential borrowing code (Appendix7/1). Appendix 7 is a brief summary of the principles behind the code.
  - 4.11 The Council's overall proposed budget for 2007/8 is £18.208m increasing by around £1.16m or 6.7% when compared to 2006/7. This includes a sum of £1.536m from reserves relating to initiatives approved by Council in November 2005, the utilisation of Planning Delivery Grant to address planning issues and expenditure on non-recurring items. Budget summaries are included in appendix 9.
  - 4.12 The budget requirement, which includes Parish and Town Council precepts of £4.064m. amounts to £20.73m. (Para: 7). The demand on the collection fund will be £8,626,270 after accounting for a net collection fund surplus of £94,127 (Para:8).
  - 4.13 Taking account of the budget proposals reserves are estimated to be just over £4.37m at the 31st March 2007, (Para: 5.5.26 and Appendix 11) and just over £4m at 31<sup>st</sup> March 2008 subject to further reviews.
  - 4.14 The report takes account of a council tax increase of 2.5% agreed in 2006/7. The increase equates to around £4.23 per annum on a Band D property, and £2.82 on a Band A. If based on 10 repayments this equates to a monthly payment increase of just 42p a month on a Band D property and 28 pence per month on a Band A. (Paragraph 6.3.7).
  - 4.15 The Council Tax proposals for 2007/8 will increase the tax for a Band A property to £115.44 per annum and to £173.16 for a Band D.
  - 4.16 Charges for Environmental Services have been reviewed and are presented in Appendix 12 for approval.

## **5. Medium Term Financial Strategy – 2007/8 to 2009/10**

### **5.1 Background-**

- 5.1.1 The Medium Term Financial Strategy is the framework within which budgets are produced and informs the future resource allocation to deliver the Council's plans. The strategy is underpinned by an operational framework, which sets out the day-to-day principles to deliver the strategy. The strategy is set out in appendix 2.
- 5.1.2 Medium term financial planning covers 3-year periods and allows changing resource and service levels to be planned in a structured way by forecasting resource availability and balancing this against improvement and investment needs.
- 5.1.3 Whilst the aim of the strategy is primarily to ensure that resources are directed into priority areas it should also shape the future financial direction of the Council outlining the financial pressures facing the council and indeed the impact on future council taxes.
- 5.1.4 Medium term financial planning will never be exact because of the scale of change facing us and mainly due to uncertainties in the central government funding, which accounts for around 70% of our funding. Significant shifts in grant allocation coupled with a council tax capping regime can have major effects on planning primarily due to lack of flexibility. Whilst in 2005 the government fixed grant for a period of 2 years covering 2006/7 and 2007/8 giving some certainty in the short term, 3 year comprehensive spending reviews heavily influenced by central government fiscal policies can lead to significant turbulence within the system affecting the financial stability of all local authorities. The key to financial stability is to effectively manage the base budget and this has to be done by identifying efficiencies and realigning budgets/resources to meet our priorities.
- 5.1.5. It is important to build upon the existing financial strategy to meet our objectives and ensure we are delivering value for money by directing resources effectively. In saying that when reviewing plans we must be aware of and manage external pressures and not be afraid to change views and assumptions during the life of the plan.

### **5.2 Priorities**

- 5.2.1 By the next financial year the Council will have formalised a revised Corporate Plan for the period 2007/8 to 2009/10.
- 5.2.2 The District Council works closely with partners, through its leadership of the East Durham Local Strategic Partnership, to improve the quality of life for the people of Easington. The Partnership has developed a shared vision for the future of the District and a Community Strategy showing how this will be achieved. Each partner is required to play its own part in achieving the vision, and the Plan will describe the specific contribution the District of Easington will make over the next three years (2007-2010).
- 5.2.3. The Plan has evolved by taking account of the key issues within our district and through discussion with key stakeholders.
- 5.2.4 It sets out the Council's vision, mission and priorities, describing the areas of priority where we are focusing most of our activity and the outcomes we are trying to achieve. Included in the plan are targets, which will enable the Council to measure whether plans have been delivered and their impact on the communities.
- 5.2.5 The Plan drives the delivery of all our services through our key strategies, service plans and individual work programmes.
- 5.2.6 The plan will be continually be reviewed throughout the period reporting on achievements/non achievements and readjusting where necessary.

5.2.7 The review will not change the main priorities, which are set out below: -

- *Quality services for our people*
- *Striving for Excellence in the Workplace*
- *A sustainable job for everyone*
- *Decent Homes for all*
- *Clean and Tidy communities*
- *Better Transport*
- *Making the district safe*
- *Building a healthy Community*
- *Learning opportunities for all*

5.2.8 Although it is difficult to identify what are **not our priorities** when all services generate benefit to our people the council plan does however identify what are considered not to be priorities. Due to having limited funding the medium term financial strategy identifies the need to realign resources to achieve our aims this will mean shifts are likely to emanate from non-priority areas.

### 5.3 Review of the Medium Term Financial Strategy 2006/7 – 2008/9 – Report to Executive November 2006

5.3.1 The strategy was reviewed in November with an overview of issues emerging from the 2007/8 budget process. Within the review corrective action was taken to bring the financial plans back on track and this is reflected in the 2007/8 budget, where the base is balanced without unplanned use of reserves.

5.3.2 As part of the debate it was made clear that annual budget exercises are not a sustainable solution to financial deficits in the longer term without affecting services. It is recognised that internal efficiencies will be more difficult to identify in future and future achievements will require a change in the way services are delivered. This is reflected in the future strategy.

### 5.4 Revised Position for Current Financial Year - 2006/2007

5.4.1 The table below compares the original budget to the revised position at the end of December 2006.

	Original Budget £000's	Revised Estimate £000's
<b>Estimated expenditure – Revenue (Base)</b>	<b><u>17,048</u> (A)</b>	<b><u>16,399</u> (B)</b>
<b>Financed by: -</b>		
External Finance – Government grants	11,729	11,729
Council Tax Levy	4,374	4,374
Collection Fund Surplus	10	10
Use of Reserves (£1.5m)	732	414
Use of Earmarked Reserves – Planning	(C)	(D)
Net Under-spend – Base Budget	203	203
	<u>0</u>	<u>( 331)</u>
	<b><u>17,048</u></b>	<b><u>16,399</u></b>
<b>Net overall under-spend (A – B)</b>		<b><u>649</u></b>

5.4.2 The monitoring statements at the end of December 2006 were forecasting an under-spend of £649k (A-B). Of the £649k under-spend an amount of £331k applies to the base budget under-spend (E) the remaining £318k refers to re-profiling of the £1.5m use of reserves.

5.4.3 In considering the above members will recall from monitoring statements that we have addressed in year pressures totaling £166k from the base budget savings. Detail as follows:

Coastal and Cycle-way Rangers	£60,000
Youth Forum Officer	£28,000
Swimming Initiative	£28,000
Customer Services Centre	£50,000

5.4.4 The revised position is taken into consideration in determining the medium term financial forecasts.

## **5.5 The Medium Term Financial Plans 2007/8 to 2009/10**

5.5.1 This aspect of the report identifies the key issues, which have been considered in preparing the strategy including the associated assumptions and risks. Over the life of the plan choices will have to be made regarding the use of scarce resources and this will require shifts in those resources to align with the achievement of council priorities. This could lead to reduction in resources in some areas and over the period the council will be looking to deliver services differently.

5.5.2 The plan has been prepared under difficult circumstances and uncertainty and whilst risks have been assessed some major issues were unresolved at the time the budget was prepared.

- As yet no information on grant distribution over the period of the plan. Awaiting the comprehensive spending review 2007 covering the next 3 years.
- Uncertainty of the availability of other external funding.
- The impact of national fiscal policies on local government.
- No detailed financial information on the Lyons Review, which includes local government finance.
- Financing the national concessionary free fares scheme from April 2008 will prove difficult.
- Potential local government review and the impact on local issues.
- Major change in future delivery mechanisms. (Shared services/Partnering).

=

### **= Key issues and Assumptions**

5.5.3 The plan is based on known and expected variations. Assumptions will be reviewed over the life of the plan and managed. However it must be appreciated that future local government financial settlements are shrouded in silence despite central government expectations on medium term planning.

5.5.4 Details of the key issues and assumptions are contained in appendix 3 of the report.

### **= Growth Achievements 2003-2006**

5.5.5 Prior to considering future growth it is perhaps worth considering key achievements from the last plan.

5.5.6 Following a period of financial constraint the basic requirement of the last plan was to reinvest in services which had suffered reductions, create further capacity in the Council and sustain housing and regeneration programmes.

5.5.7 Over that period additional resources were made available partly from significant external funding streams such as SRB and NRF, partly from increased grant following a review of the grant system and more significantly as a result of the Council examining services and realigning resources to meet the priorities of the council. We have seen external funding schemes reduce in some areas requiring the council to bend mainstream funding to sustain improvements. Examples of where additional resources have been provided are: -

- Environmental services to address the lengthening grass cutting season.
- Increasing capacity in community safety.
- Mainstreaming the street warden service to tackle anti- social behaviour
- Introduction of new schemes for recycling waste.
- Strengthening enforcement in the environment..
- Improving Customer Services by introducing better information technology and developing a contact centre.
- Engagement of young people.
- Equality and Disability issues.

5.5.8 Examples of where improvements have been undertaken or indeed where increased responsibilities have been made at minimal or no additional cost include:

- Improvement in Street Cleansing following introduction of new working practices.
- Leisure facilities
- Realignment of the Housing Strategy Unit to tackle issues around homelessness, private sector renewal, fuel poverty and issues arising from arms length management of social housing.
- The implementation of a County-wide Concessionary Travel Scheme Wide Free Travel for the elderly and disabled. The statutory element of this scheme is grant supported but there is a significant discretionary element.
- Benefits performance.
- Transfer of Licensing responsibilities.

5.5.9 In addition to the above when available reserves have been released to support service improvement, increased capacity and pump priming of efficiencies. Examples are the release of £1.5m of reserves in 2005/6 and the financing of one off programmes in support of budgets and the capital programmes.

5.5.10 Revenue budgets have also in part supported substantial capital programmes over that period ranging from £12m to £17m, which are significant programmes for a District Council.

#### **Areas identified for Additional Resources 2007/8 to 2009/10**

=

5.5.11 Appendix 4 (Column B) sets out the areas identified for additional resources for 2007/8 valued at £341,000. Column C illustrates the impact on future years.

5.5.12 In addition to the above there are **budget one offs** of £816,600. Of that sum £26,600 is to meet commitments approved in the current medium term plan, details of the remainder (£790k) is set out in appendix 4 (Column A). It should be noted that budget one offs are non-recurring and generally not expected to impact on base budgets for future years.

5.5.13 Scope for additional resources in future years is limited and the plan assumes that services will mainly be grown from existing budgets as reflected in the medium term strategy.

5.5.14 However, within the plan some provision has been made for additional resources in certain areas on the understanding that every effort will be made to minimise the impact on the base budget. This can be achieved by realigning budgets through reviews, identifying efficiencies or seeking external funding where it adds value and achieves council priorities.

5.5.15 Key areas for growth are: -

- Full implementation of the **Economic and Regeneration Restructuring** exercise following the potential withdrawal of external funding. A report will be presented to Executive in due course. (£240k from 2008/9)
- Anticipated increases in **recycling costs**. (£100k from 2008/9)
- Additional borrowing costs in anticipation future expenditure on civic premises. (£100k in 2008/9 increasing to £340k from 2009/10)

It should be noted that recent developments in Planning have been funded from the Planning Delivery Grant Reserve. It is estimated that the reserve will expire in around 3 to 4 years by which time the planning structure will have been reviewed.

= **Savings /efficiencies**

=

5.5.16 The review of the medium term financial strategy identified that it is likely that significant efficiencies will have to be identified in future requiring a radical change in service delivery. Local government restructuring proposals over the period of the plan will influence this position. Likely examples will be by sharing services or partnering arrangements. At this point in time it is difficult to identify the levels of savings achievable and there is no value in including indicative figures at this stage of the plan. It is anticipated that as these areas develop the plan will be amended.

5.5.17 In conjunction with the above Value for Money reviews will be undertaken within the corporate framework to consider whether or not resource allocations are delivering satisfactory performance and customer satisfaction and to ensure money is being directed effectively.

5.5.18 The following savings have been identified as achievable over the life of the plan.

- Procurement savings through framework agreements. £100k in 2007/8.
- Potential reduction in insurance costs (£50k from 2008/9).
- Staffing costs. Staffing is budgeted at full cost on the pretence that structures are full. To account for slippage through vacancies a reduction is factored into budgets. For 2007/8 the factor is around 2.5% of payroll costs (£320k). This will be increased to 3.5% from 2008/9 (£450k).
- Cashable and non cashable efficiencies are expected from the best value review of support services part of which could be used to address outstanding issues such as policy development, community engagement, corporate training and risk management.

= **Council Tax Levels**

5.5.19 The medium term financial strategy takes cognisance of the socio economic issues in the District and the impact of high council tax increases on taxpayers on low incomes. Since medium term financial planning was introduced the Council has sustained low council tax increases as indicated in the table below but has been prudent ensuring that year on year the tax base was increased. Unfortunately in 2 tier areas the District has no control over other preceptors and to some degree this undermines our approach.

Year	Government Assumptions	District of Easington - (%)Increases	Regional Increases (%)	National Increases (%)
2003/2004	3.7	3.0	8.7	12.9
2004/2005	3.8	2.9	5.1	5.9
2005/2006	6.2	2.9	4.1	4.0
2006/2007	5.0 (cap)	2.5	3.8	4.5
<b>Cumulative</b>	<i>18.7</i>	<i>11.3</i>	<i>21.7</i>	<i>27.3</i>
<b>Average Annual Increases</b>	<b>4.7</b>	<b>2.8</b>	<b>5.4</b>	<b>6.8</b>

*pçì èÀÈW= ` çì àÀii-q-ñ=aEā-âÇè~âÇ-meEÁÉéíè=OMMPLQ=O=OMMSLT=J=^=*

=

5.5.20 For 2007/8 the medium term projections reflect the commitment to hold the increase at 2.5%. However given the pressures on the Council, the demands for improved services and growth it is clear that in future additional resources will be required. In view of this it is assumed in the plan that council tax will be increased by at least 3.5% per annum noting that government capping is rarely applied below 5%. It is recognised that this is an area members will wish to reconsider during the review of the plan.

=

#### **Financial Projections - 2007/8 – 2009/10**

5.5.21 Based on the above the financial projections for the next 3 years are summarised in Appendix 5. Members will note that taking the above assumptions into account at the end of 2008/9 a deficit of £389k will emerge increasing to £729k by 2009/10.

5.5.22 The plan will be reviewed in a structured manner year on year.

#### **Review of Reserves**

5.5.23 Levels of earmarked and uncommitted reserves and balances were reviewed as part of the budget process and in recognition of budget pressures in the medium term. (Executive Report – 6<sup>th</sup> February 2007).

5.5.24 Following the review and with immediate effect the Council is recommended to: -

- Confirm the retention of a prudent balance of £1.5m.
- Create a management of change reserve to manage the uncertainties and challenges facing the Council in the medium term, setting aside £1.5m of reserves to manage the change in the medium term. The additional reserve will support the base budget over that period.
- Reduce specific reserves (Support Service and Benefits) and transfer residual balances of £300k to the general reserves to be utilised to fund an element of revenue one offs as proposed in Appendix 4.
- Establish an Economic Development/Regeneration Reserve to provide funding for regeneration initiatives and related schemes and to transfer £408k from general reserves into the reserve. In addition to transfer future LABGI receipts to the reserve.

5.5.25 Further use of reserves will be considered following closure of the 2006/7 Accounts.

5.5.26 The following table outlines the position on general reserves taking account of the



recommended changes. The position is considered adequate given the risks outlined in the plan.

<b>Budget Position</b>	<b>2007/8</b>	<b>2008/9</b>	<b>2009/10</b>
Shortfall/deficit	<b>0</b>	<b>£389,000</b>	<b>£729,000</b>
Surplus	<b>0</b>	<b>0</b>	<b>0</b>
<b>Position on Reserves</b>			
Management of Change Reserve	£1.50m	£1.18m	£0.45m
Prudent Balance	£1.50m	£1.50m	£1.50m
<b>Uncommitted Reserve</b>	<b>£1.07m</b>	<b>£1.00m</b>	<b>£1.00m</b>
<b>Overall level</b>	<b>£4.07m</b>	<b>£3.68m</b>	<b>£2.95m</b>

5.5.27 The plan assumes that earmarked and specific reserves will be reviewed and where necessary utilised over the period of the plan.

5.5.28 The following table maps the position over the last 7 financial years including that proposed for 2007/8 and confirms fairly stable budget position.

Year	Base Budget	Planned Use of General Reserves (£1.5m)	Planned Use of specific Reserves	Overall Budget	Unplanned Use of Reserves to balance budget	Council Tax Increase %	Retained Reserves
	£000's	£000's	£000's	£000's	£000's		£000's
2000/2001	12,303	0	0	12,303	420	4.5	1,017
2001/2002	12,597	0	0	12,597	0	4.5	2,184
2002/2003	13,016	0	0	13,016	161	7.5	3,178
2003/2004	14,053	0	0	14,053	241	3.0	4,073
2004/2005	13,831	324	0	13,831	0	2.9	3,781
2005/2006	14,520	308	0	14,520	0	2.9	4,212
+2006/2007	16,114	934	0	17,048	0	2.5	3,481
*2007/2008	16,670	793	743	18207	0	2.5	4,070

**\*Subject to Approval**

+ It should also be noted that the increase in 2006/7 was due to a significant increase in grant to cover the costs of the concessionary free scheme from April 2006.

**Treasury Management Strategy/Prudential Indicators**

5.5.29 The revenue budgets take into account the implications of the capital programme and this section of the report takes into account the borrowing and investment activities of the Council. The Treasury Management Strategy 2007/8 sets out the policies for borrowing and managing its investments. The strategy has to take account of the Prudential Code of Borrowing setting prudential indicators for the next 3 years to ensure the Council's capital investment plans are affordable, prudent and

sustainable.

- 5.5.30 The Treasury Strategy Statement is set out in full in Appendix 6. A summary of the Prudential Code of Borrowing is included in Appendix 7, prudential indicators are set out in appendix 7/1.

### **Risks**

- 5.5.31 In developing plans of this nature there are a number of uncertainties and significant areas of risk. As part of our processes a risk assessment has been undertaken and Appendix 8 summarises the key issues and identifies actions to mitigate and manage the risks involved. Appendix 8/1 provides further details.

=

=

### **Monitoring and Review Process**

- 5.5.32 The Council's budgets are continuously monitored over the financial year with the medium term financial strategy being formally reviewed at the end of September where variations are highlighted for discussion and action taken where necessary.
- 5.5.33 As a matter of course members will receive reports on the implications of the Comprehensive Spending Review 2007 and the Lyons Review of Local government Finance and how they impact on future plans when those reviews are completed and available.
- 5.5.34 The remainder of the report deals with the statutory aspects of setting the annual budget for 2007/8.

## **6. General Fund Revenue - Budget Proposals for 2007/8**

### **6.1 Background**

- 6.1.1 The General Fund accounts for all the day-to-day expenditure and income on services other than Council Housing. Council taxpayers finance an element of net expenditure on this account together with Government grant now known as Formula Grant but comprising of Revenue Support Grant and rates from non-domestic ratepayers. The Government fixes non-domestic rates. They are collected by the Authority and paid over to the Government which then redistributes the total collected nationally on the basis of each Authority's population. The Non Domestic Rate Poundages for 2007/8 are as follows, previous years in brackets:

Small Business Rates (Rateable Value less than £15,000)	44.1p (42.6p)
Business Rates	44.4p (43.3p)

- 6.1.2 Statutorily the Council must set an annual budget each year and consider the level of council tax for the period.
- 6.1.3 This aspect of the report has been prepared against a backcloth of reports presented over the last 3 months.
- Review of the Medium Term Financial Plan 2006/7 to 2008/9 (Executive 28<sup>th</sup> November 2006).
  - Briefing Note to all members – Local Government Financial Settlement – 2007/8.
  - Budget Framework 2007/8 and the Medium term Outlook 2007/8 to 2009/10. (Resources Scrutiny – 9<sup>th</sup> January 2007 and Executive Committee- 6<sup>th</sup> February 2007).
  - Review of Reserves and Balances. – (Executive - 6<sup>th</sup> February 2007)

### **6.2 Final Grant Settlement - 2007/8**

6.2.1 There were no changes to the provisional figures communicated to members in November. In cash terms the Council received an additional £282,000 (2.4%) increasing our Formula Grant to £12.011m.

### **6.3 Budget Proposals – 2007/8**

6.3.1 Following various reviews and actions taken to bring the base budget back in line consideration is given to the budget requirements for 2007/8.

6.3.2 The process has presented significant challenges but it is pleasing to propose a balanced budget for 2007/8.

#### **Cost pressures**

6.3.3 In considering the proposals a number of cost pressures were managed including the following: -

- Salary costs (including N.I. and Superannuation) - £580k
- Utility Costs - £60k
- Concessionary Fares - £120k

#### **= Areas identified for additional resources**

6.3.4 Areas identified for additional resources are set out in appendix 4 and total £341k.(Column B).

6.3.5 In addition to the above, budget one offs of £816,600, which are non -recurring items have been identified and are included in the proposals. Of that sum £26,600 will meet existing commitments approved in the medium term financial plan, details of the remainder (£790k) are set out in Column A of appendix 4.

#### **Council Tax Increases**

6.3.6 Members may recall that in considering the 2006/7 budget report it was proposed to hold the increase for 2007/8 at the same level. As stated above the increase is consistent with the Council's medium term strategy and gives taxpayers' year on year stability whilst at the same time increasing the council tax base. =

6.3.7 The annual monetary effects of the proposals are as follows.

	2006/7	2007/8	Differences
Band A Property.	£112.62	£115.44	£2.82
Band D Property.	£168.93	£173.16	£4.23

#### **Review of Charges**

6.3.8 The medium term financial strategy required discretionary charges to be reviewed at least once a year. The Director of Community Services has reviewed charges for Environmental Services within the budget process and they are presented in Appendix 12 for approval.

6.3.9 The details set out the position of each activity relative to the charging policies and increases are broadly in line with inflation.

#### **= Financing the Proposals**

=

6.3.10 Taking account of the above proposals the following broadly sets out the estimated funding to meet the costs.

- Additional Formula grant - £282k
- Additional Council tax - £193k
- Collection fund surplus - £94k
- Directorate Efficiencies - £240k to date.
- Investment Income - £70k
- Vacancy Savings - £20k
- Use of specific reserves: Implementation - £642k
- Increased Income - £145k

### Summary of the District Council Budget Requirements – 2007/8

6.3.11 Taking into account of the proposals outlined above the Council will require a budget of £18.208m, an increase of around 6.8%, financed as follows:

	£000's
Revenue Support Grant	1,726
Redistributed Business Rates	10,285
Council Tax	4,566
Collection Fund Surplus	94
Planning Grant Reserve	100
Use of Specific Reserves	644
Use of Reserves – Committed	<u>793</u>
	<b><u>18,208</u></b>

6.3.12 Full details of the budgets are set out in the estimate books provided; budget summaries for 2007/8 are included in appendix 9 of this report.

## 7. Budget Requirement

7.1 Following consideration of the items referred to in sections 1 - 6 of this report the Council is requested to approve the District Council's overall net expenditure requirements for 2007/2008 totaling £18,207,910. The budget summaries are set out in appendix 9.

7.2 The Parish and Town Council Precepts are part of the budget requirement and the total of these precepts for 2007/8 is, £4,060,340. Individual precepts are contained in appendix 10.

7.3 The Council has to agree its budget requirement for 2007/8, which amounts to £20,731,397 and is calculated as follows: -

	£	
District net expenditure requirement	18,207,910	
<b>Less:</b> Use of Reserves		<u>1,536,853</u>
		16,671,057
Add: Parish precepts	<u>4,060,340</u>	
<b>Budget Requirement</b>	<b><u>20,731,397</u></b>	

=

=

### **Estimated General Fund Balance at the 31<sup>st</sup> March 2008**

7.4 I have prepared a statement of general fund balances based on the foregoing shown in Appendix 11 where it can be seen that the estimated uncommitted balance is estimated to be £4,070,807 at 31<sup>st</sup> March 2008.

## 8. Collection Fund Demand

8.1 Having determined the District budget requirement, it is necessary to calculate the amount to be demanded from the Collection Fund for the year. The relevant figure for 2006/2007 is calculated as follows: -

	£.	£
<b>Budget Requirement</b>		20,731,397
Deduct: -		
Formula Grant	12,011,000	
Collection Fund <i>deficit</i> for 2005/6 (Council Tax)	-5,777	
Estimated Collection Fund <i>surplus</i> for Council Tax for 2006/2007 (Calculated at 15/01/07)	<u>99,904</u>	<u>12,105,127</u>
<b>Collection Fund Demand.</b>		<b><u>£8,626,270</u></b>

8.2 Improved collection rates has enabled me to again review the bad debts position for council tax and it is proposed that the provision is reduced by a further £200,000. That figure is shared between the main precepting authorities resulting in an overall net surplus on the fund of £94,127,

### Calculation of the Band D Council Tax Proposal

	£
8.3 Overall Collection Fund Demand (see above)	8,626,270
<i>aEÇiÁW</i> - Parish Precepts (see below)	<u>4,060,340</u>
=	
<b>Demand</b> in respect of the District of Easington	<b><u>4,565,930</u></b>

### Demand from the Collection fund

Approved Council Tax Base = **Band D Council Tax for Easington**

£4,565,930  
26,368.3 = £173.16

## 9. Parish/Town Council Precepts

9.1 A schedule of Parish/Town Council precepts is attached at Appendix 10, which shows total precepts for 2007/8 of £4,060,340 compared to £3,853,947 in 2006/7. The precepts have increased by £206,393 or 5.3%.

## 10. Implications

### 10.1 Policy

The budget is prepared to meet the Council's corporate plans and priorities.

- 10.2      **Legal**
- The budget has been prepared according to the statutory requirements.
- 10.3      **Financial**
- The financial implications are set out in the main detail of the report.
- 10.4      **Risk**
- A risk assessment has been undertaken and controls are in place to manage those risks.
- 10.5      **Communication**
- A statement on the proposals will be issued to the local press and information will be placed on the web site. Further information will be presented in the next edition of Info point.
- 10.6      **Corporate Plan and Priorities**
- The growth proposed is aligned to the Council's objectives and agreed priorities.
- 10.7      **Performance Management and Scrutiny**
- The budget strategy has been discussed with the Resources Scrutiny Committee and was approved by the Executive Committee. Expected outcomes will be measured through the Council's performance and financial management processes.
- 10.8      **E Government**
- The budget addresses and resources the Council's commitment to deliver the E. Government priority service outcomes and realising efficiencies from transforming services as a result of information technology investment.
- 10.9      **Procurement**
- Procurement arising from the proposals will be made in accordance with the Council's procurement strategy.
- 10.10     **Equality and Diversity**
- None
- 11.      Recommendations**
- 11.1      The Council is recommended to: -
- 11.2      Note my report on the robustness of the budget and adequacy of the reserves as set out in appendix 1.
- 11.3      Agree the Medium Term Financial Strategy for the period 2007/8 to 2009/10 as set out in paragraph 5. The financial forecasts are set out in appendix 5.
- 11.4      Agree the Treasury Management Strategy, incorporating the Councils overall borrowing limits and investment strategy as set out in appendix 6.
- 11.5      Agree the Prudential Indicators as set out in appendix 7/1.
- 11.6      Agree the schedule of charges for Environmental Services as set out in appendix 12.

- 11.7 Agree the following transactions following the review of reserves with immediate effect.
- The retention of a prudent balance of £1.5m.
  - The creation of a management of change reserve to manage the uncertainties and challenges facing the Council in the medium term, setting aside £1.5m of general reserves to manage the change in the medium term. The additional reserve will support the base budget over that period.
  - Reduce specific reserves (Support Services and Benefits) and transfer residual balances of £300k to the general reserves to be utilised to fund an element of revenue one offs as proposed in Appendix 4.
  - The creation of an Economic Development/Regeneration Reserve to provide funding for regeneration initiatives and related schemes and to transfer £408k from general reserves into the reserve. In addition to transfer future LABGI receipts to the reserve.
  - To consider further use of reserves following closure of the 2006/7 accounts.
- 11.8 Agree an overall budget of **£18,207,910** as set out in appendix 9.
- 11.9 Agree a budget requirement of, **£20,731,397** for the purposes of calculating the collection fund demand. (Para 7.3).
- 11.10 Agree to demand the sum of, **£8,626,270** from the Collection Fund for the year 2007/8. (Para 8.1).
- 11.11 Agree the Band D Council Tax for 2007/8 at **£173.16**. Schedules of amounts of Council Tax for the year 2007/2008 will be presented to a further meeting of the Council to be held on 8th March 2007. The schedule will form the basis of the appropriate statutory resolutions to be put to that meeting, following the consultation process with representatives of the business community. The procedure is in accordance with Section 30(2) of the Local Government Finance Act 1992.

### **Background Papers/Documents referred to in preparing this report**

Monthly Monitoring Reports to Executive - 2006/7.  
 DCLG - Grant Settlement Figures – November 2006  
 Report to the Council on 04/01/2007 - Council Tax Base 2007/8.  
 Budget Reports from Service Providers - Various.  
 Review of the Medium term Financial Plan – Report to Executive - November 2006.  
 Briefing Note to all Members – Grant settlement 2007/8. – December 2006.  
 Report to Council – 3<sup>rd</sup> November 2005 – Use of Reserves.  
 Budget Framework Report to Executive on 06/02/2007 and Resources Scrutiny Committee on 16/01/2007.  
 Review of Reserves and Balances – Report to Executive 06/02/2007.

THB/budget2007-8-4fix-