



Report to: Special Council
Date of Meeting: 2 March 2006
Report from: Director of Resources
Title of Report: 2006/07 General Fund Revenue
Budget and Council Tax Proposals
Agenda Item Number:

1. PURPOSE AND SUMMARY

- 1.1 The report advises Council of the 2006/07 general fund revenue budget proposals and seeks Council's approval to the Executive's final budget and Council Tax recommendations for 2006/07.

2. CONSULTATION

- 2.1 Corporate Management Team has been fully involved in the work supporting the budget projections and has been consulted on the report. Service Team Managers have been fully engaged in the budget preparation process for their service areas. The proposals in respect of fees and charges are the suggested levels from the Service Team Managers.

3. CORPORATE PLAN AND PRIORITIES

- 3.1 As the report is wholly concerned with the general fund revenue budget, it provides the means by which the Council will achieve targets set out in the Corporate Plan for 2006/07. Several of the growth bids are aimed at addressing the Council's priorities; these are detailed in section 9 of the report.

4. IMPLICATIONS

4.1 Financial

These are detailed throughout the report.

4.2 Personnel

Some of the budget proposals do have staffing implications; the staff involved are being fully consulted in accordance with established Council policies.

4.3 Other Services

The budget proposals do have an impact on other service areas; particularly in terms of savings and growth proposals. These are detailed in sections 8 and 9 of the report.

4.4 Diversity

One of the growth bids - £15,000 for Equalities - will have a direct impact on the Council's work in respect of equalities and diversity.

4.5 Risk

The budget proposals have been subjected to a risk assessment, which is summarised in Appendix D to the report.

In addition to the specific risks identified within this report, a number of actions have been taken to address key risks within the Council's Strategic Risk Profile. Some of these have a direct impact on value for money, efficiency and resource allocation and include revised procurement arrangements, improvements to financial systems, structural changes and the development of the Medium Term Financial Plan

Further initiatives planned within the Organisational Development Action Learning Sets will also have a positive impact on resource management during 2006-07.

4.6 Crime and Disorder

Use of the growth bids - £110,000 for Community Safety - does have an impact on the Council's work on the prevention of Crime and Disorder.

5. **THE FINANCE SETTLEMENT**

5.1 The final Finance Settlement for 2006/07 was received on 31 January 2006:-

	£	
Relative Needs Amount	2,113,592	
Relative Resource Amount	(678,964)	
Central Allocation	3,430,046	
Floor Damping	30,353	
Formula Grant (comprising RSG of £792,025 and NNDR of £4,103,001).	4,895,026	
Adjusted Amended Formula Grant for 2005/06	4,752,453	
Increase in Formula Grant	142,574	(3.0%)

6. RESOURCES AVAILABLE FOR 2006/07

- 6.1 As stated in section 5.1 above, Chester le Street District Council will receive Formula Grant of £4,895,026 in 2006/07. The level of resources available to fund the Council's planned revenue expenditure is also dependent on Council Tax levels.
- 6.2 In estimating the resources available, it is assumed that the District Council's share of Council Tax will increase by 4.8%. Each 0.01% increase raises just under £2,720.
- 6.3 A 4.8% increase will result in a Band D Council Tax of £168.00 for the District Council, this is an increase of £7.77 on the 2005/06 Band D Tax of £160.23.
- 6.4 The Council Tax has to be calculated at Band D, but approximately 84% of the properties are in a lower Council Tax band and will, therefore, pay less than the 'average' Band D Council Tax.
- 6.5 In announcing the 2006/07 finance settlement, the Government stated that it expects to see the average Council Tax increase in England to be below 5%. It has further stated that it will use its reserve capping powers to deal with excessive increases as it has done in the last two years.
- 6.6 After taking account of the increase in taxbase, the collection fund surplus, and the assumed Council Tax increase, resources raised from Council Tax in 2006/07 will amount to £2,920,741.
- 6.7 This means that the total resources available to fund the Council General Fund Revenue Expenditure amount to:-

	£
Formula Grant	4,895,026
Council Tax	<u>2,920,741</u>
	<u>7,815,767</u>

7. 2006/07 BUDGET PROJECTIONS

- 7.1 A significant amount of growth has been incorporated in the 2006/07 budgetary projections. The unavoidable growth amounts to £1.479million, and comprises:-

	£
Increase needed to offset the 2005/06 contribution from reserves built into the base budget	100,000
Pay and pensions increase	500,000
Other inflation	50,000
Increase to offset capability building grant built into the base budget	94,000
Benefits - currently charged to the Housing Revenue Account	45,000
Energy costs	100,000
Civil contingencies	8,000
SRB grant - income will reduce in 2006/07	16,000
Loss of rental income (shop disposal)	6,000
Reduction in Benefits administration grant	20,000
Concessionary Travel Scheme	467,000
Reduction in income - car parks, market, industrial units and land charges	73,000
	1,479,000

7.2 After taking account of all the above growth, the 2006/07 base budget amounts to £8.389 million.

7.3 The 2005/06 budget includes an additional one-off contribution from the general reserve of £30,000. This was to fund two one-off initiatives, namely the green waste service (£10,000) and additional support to the CVS (£20,000).

The funding for the green waste service was agreed pending a review of the service, and the additional funding for the CVS was approved pending a review of the voluntary sector framework.

The £30,000 was included in the base budget for 2005/06 (funded from reserves) for one year only; the 2006/07 budget projections make no provision for any ongoing costs for these one-off initiatives.

7.4 The General Fund base budget for 2006/07 is summarised in Appendix A to the report.

8. SAVINGS IDENTIFIED

- 8.1 The 2006/07 base budget - incorporating all unavoidable growth amounts to £8.389 million (section 7.2).
- 8.2 This compares with the available funding of £7,815,767 (section 6.7), meaning that there is a funding gap of £573,233 before any discretionary growth bids are considered.
- 8.3 Savings of £568,000 have already been identified. These comprise:-

	£
Licensing income	15,000
Target savings associated with the vacancies within Economic Development and Housing Strategy and the review of service provision within Legal and Democratic Services and a move to a 'one stop shop' reception. These proposals will be subject of detailed reports following staff consultation.	150,000
Investment interest	20,000
Good economies and efficiency savings	50,000
Planning income	50,000
Use of PSA reward grant (one-off)	73,000
Income from charges for car parking at the Riverside for special events	100,000
Inflationary (3%) increases in fees and charges (estimate) This was built into the initial 2006/07 base budget projections and assumes an 'across the board' 3% increase in income resulting from increases in fees and charges for leisure, environmental services, environmental health and Careline. Section 12 of the report details Service Managers' fees and charges proposals for 2006/07 and the impact on income. Subject to approval of the proposed fees and charges, the 2006/07 base budget will be amended to take account of these revised income figures.	62,000
Capitalisation	<u>48,000</u>
	<u>568,000</u>

- 8.4 A small funding gap of £5,233 remains. Following the budget review and analysis meetings which were held during November, a programme of value for money work will be carried out for all services within the authority. It is proposed that the remaining gap is bridged by savings identified through this programme of work.

It is further proposed that the areas of discretionary growth supported for inclusion in the 2006/07 budget (identified in section 9.1) is dependent on additional savings being identified.

9 GROWTH BIDS

- 9.1 At its meeting on 16 January, the Executive considered bids for budgetary growth and indicated that the following areas were priorities, subject to the outcome of the Residents' Opinion Survey:-

	£
Community Safety	110,000
Housing Options (Homelessness)	78,500
Web Development	5,000
Equalities	15,000
ERIC	30,000
LSP Policy Officer	35,000

Together, the areas of priority for growth require funding of £273,500.

- 9.2 The outcome of the Residents' Opinion Survey of 2005/06 is summarised below:-

(i) Community Safety

For five of the listed services within the budget question, over one in ten respondents said that they would be willing to pay more. These were 'grounds maintenance – open spaces', (10.2% - pay more); 'environmental health – food safety and hygiene, licensing, pest control, (11.6%); 'street cleaning', (14.8%); 'household recycling collection', (17.7%); and 'community safety including CCTV and Careline support, where over a quarter of all respondents, (27.1%), would be willing to pay more.

In addition respondents were asked to say how much of a problem they felt were nine types of anti-social behaviour in their local area. Over one in five respondents considered that 'teenagers hanging round the streets', (32.4%); 'vandalism, graffiti and other deliberate damage to property or vehicles', (26%); and 'people using or dealing drugs', (23.6%); to be 'very big problems' in their area.

Respondents were also asked to nominate up to five elements that are important in making a place a 'good place to live'. Most important in making a place a good place to live was 'low level of crime', (69.7%) in addition 41.3% thought that this area of service was in most need of improvement.

Conclusion

It appears that residents clearly feel that fear of crime and anti-social behaviour are of extreme importance in making Chester-le-Street a better place to live. This is further supported by 27% of respondents actually saying they would pay more council tax to improve the community safety team.

(ii) Homelessness

18% of respondents thought they pay too much for the housing strategy and homeless service as opposed to only 8% who would be willing to pay more. However, that may be due to the fact that very few respondents had actually used this service (4%) .

However nearly one quarter of all respondents fear that there is less affordable housing available, which could arguably affect the homeless service.

Conclusion

Residents clearly see a lack of affordable housing as a problem affecting the area. This highlights the need for a housing strategy that will encourage more affordable housing schemes within the District.

(iii) Web – development

There are no real statistics that are directly associated with this growth bid, within the residents' opinion survey. However, residents have shown increased satisfaction with the way we keep them informed over the past 3 surveys - 53% (2003), 58% (2004) and 61% (2005).

It is important therefore, that we must continue with our investment in the development of the web to keep speed with residents' expectations and continue the excellent work that has been conducted over the past 12 months.

(iv) Equalities and Diversity

Only 1.1% of respondents felt that 'race relations' were important. This is perhaps not surprising given that 98.7% considered themselves to be 'white-British'

(v) ERIC (the bus)

The key role played by ERIC in encouraging health and well-being within the community (especially young people) can clearly be supported by the results of the residents' survey. Respondents were asked to nominate up to five elements that are important in making a place a 'good place to live'. Most important in making a place a good place to live were 'low level of crime', (69.7%), and 'health services', (52.1%). Both of these issues are supported by ERIC. In addition when considering the aspects that are most in need of improvement in their area 'Activities for teenagers' was identified by 45.7%; the highest of any category – this again is a key role (youth and community work) that ERIC supports.

In addition, ERIC has also been used in numerous community safety campaigns. Community safety is the most supported area within the budget question of the survey.

Conclusion

The continued role of ERIC has received clear support from the residents' opinion survey and the removal of this service would have an adverse effect on public opinion given that, in the main, it is the only 'vehicle' the district council uses to address these important issues.

(vi) LSP Officer

Due to the strategic nature of this post, it is unlikely to be linked to the results of the residents' opinion survey. However, this role would help to increase the way we keep people informed i.e. consultation and engagement, strategy development and links to residents' groups.

9.3 The projected budget position for 2006/07, incorporating all growth bids and savings proposals can be summarised as follows:-

	£
2006/07 base budget	8,389,000
Less savings identified	(568,000)
Plus priority areas for growth	<u>273,500</u>
	8,094,500
Less resources available	<u>(7,815,767)</u>
Funding gap	<u>278,733</u>

The funding gap shown above does assume that all the growth bids identified as priorities are incorporated in the budget. These are dependent on additional savings being identified and implemented and the growth will not be built into the budget until there are sufficient resources freed up to meet the additional costs.

At this stage, therefore, a net revenue budget of £7,815,767 is recommended:-

	£
2006/07 Base Budget	8,389,000
Less savings identified	(568,000)
Less additional savings from Value for Money work	<u>(5,233)</u>
	<u>7,815,767</u>

This means that the recommended budget is fully funded by the resources available.

9.4 Appendix A summarises the 2006/07 base budget, as compared with the 2005/06 budget across the main service areas.

10. THE 2005/06 PROBABLE BUDGET

10.1 Although the probable outturn is expected to be on budget in overall terms, there are several problem areas in respect of income. These include the leisure centre, the market and Selby Cottage Childcare Centre.

10.2 When the mid year monitoring report was considered by the Executive in November, it was noted that shortfalls in income as compared with budget for the market of £13,000, the outturn is now expected to be £36,000 below budget.

10.3 Again at the mid year position, Chester le Street Leisure Centre was expected to show an £80,000 overspend. This included an expected shortfall in income while the pool was closed for repairs (£46,000) and increases in utility and staff costs. When this was reported, the Executive noted that, at the time, this was expected to be the worst possible scenario and that the budget manager was taking action to limit the overspend and was hopeful of reducing it to £50,000, but this was heavily dependent on income generation.

The Leisure Centre is now expected to show an overspend of approximately £82,000 against the original budget.

- 10.4 The shortfall in income at Selby Cottage was not predicted at the mid year position; at the six months stage, it was on target to achieve the budgeted level of income. Since November, however, income has reduced and the expected outturn is £40,000 below the budgeted level and is due to a decrease in users. It is essential that this is reviewed and action taken prior to the new financial year since the 2006/07 budget does not take account of any downturn in income.
- 10.5 In order to ensure that the overall outturn for 2005/06 does not overspend the budget, Corporate Management Team has taken action with the assistance of accountancy services in order to identify additional savings. Effectively, this has had the effect of freezing all unspent provisions unless the expenditure is essential. Taking this action should ensure that the outturn does not require any additional contribution from the general reserve, other than the £130,000 already budgeted.
- 10.6 Appendix B summarises the probable outturn for 2005/06.

11. RESERVES

- 11.1 The following table summarises the Council's reserves as included in the 2004/05 Statement of Accounts - it shows the balances held at 1 April 2005.

	<u>£000</u>
General Fund Revenue Reserve	500
Earmarked for capital schemes	167
Earmarked for non-capital schemes	172
Earmarked for revenue contributions	635
Unallocated reserve	<u>31</u>
	<u>1,505</u>

- 11.2 The 2005/06 revenue budget incorporates a contribution of £130,000 from the General Fund Revenue Reserve.
- 11.3 At its meeting on 16 January 2006 the Executive agreed that the £167,000 earmarked for capital schemes should be used to fund some of the pre-ballot costs associated with the housing stock transfer, consequently this is now all earmarked to be used during 2006/07.
- 11.4 The £172,000 earmarked for non-capital schemes is the insurance fund.
- 11.5 At the beginning of the current financial year, the reserve earmarked for revenue contributions comprised 36 reserves set aside as revenue contributions for specific projects and/or services. At its meeting on 5 September 2005, the Executive agreed to transfer £15,412 from these to the General Fund Revenue Reserve as this was no longer needed to fund the projects for which it had originally been earmarked.

- 11.6 Again, at the meeting of the Executive on 5 September, it was noted that the unallocated reserve would be fully used during 2005/06.

The estimated reserves at the end of 2005/06 and at the end of 2006/07 are shown below:-

	<u>31/1/06</u> <u>£000</u>	<u>31/3/07</u> <u>£000</u>
General Fund Revenue Reserve	374	374
Earmarked for capital schemes	167	0
Insurance	185	220
Earmarked for revenue contributions	556	545
Unallocated reserve	0	0
One-off funding reserve	52	17
	<hr/> 1,334	<hr/> 1,156

- 11.7 Guidance from CIPFA recommends that the Finance Director's report on reserves and balances should include an assessment of the adequacy of reserves, a requirement now incorporated into the Local Government Act 2003.

- 11.8 There is no specific guidance on what represents an adequate level of reserves. This is because every authority is different and each authority will decide on its level of reserves in accordance with its own particular circumstances.

The Council's general fund reserve at £374,000 amounts to approximately 4.8% of the proposed net revenue budget for 2006/07. This is regarded as adequate.

- 11.9 It is important to note that the 2006/07 revenue budget proposals do not require any call on the general fund revenue reserve. This is in accordance with the Council's agreement to use £100,000 to support the 2005/06 budget with a view to reducing this to zero in respect of the 2006/07 budget.

12. PROPOSALS FOR FEES AND CHARGES

- 12.1 Appendix C details the proposed changes to fees and charges.
- 12.2 Appendix C(i) sets out the proposed fees and charges for leisure services, taking account of the market for the services. These are expected to result in additional income of £54,360. The Leisure Services Manager's view is that any further increase in fees and charges could lead to a decrease in usage which, in overall terms, could have a negative impact on income.
- 12.3 At present, it is assumed that income from Careline will increase by approximately £6,000 as a result of changes to fees and charges. This, however, will be the subject of a report from the Director of Community Services.

- 12.4 Appendix C(ii) sets out the proposed charges for environmental services. There are no changes proposed in respect of civic amenity charges. A 3% increase in trade waste charges is estimated to result in additional income of £3,370. Changes are proposed to burial fees and public conveniences but the impact on income is uncertain.
- 12.5 Finally, Appendix C(iii) set out the proposed changes to the fees and charges for environmental health. There are changes in respect of charges for pest control and the effect on income is uncertain. Some changes are proposed for a limited number of licensing fees, these are expected to have a negligible impact on income.
- 12.6 Altogether the additional income from the proposed fees and charges is estimated to be £63,730. This is £1,730 more than the £62,000 included in the budget strategy for 2006/07, consequently the funding gap will be reduced to £3,503.

13. COMMENTS FROM THE OVERVIEW AND SCRUTINY PANELS

13.1 The Green Communities Overview and Scrutiny Panel considered the budget proposals for the services within its remit, along with the savings proposals and the bids for budgetary growth. The Panel decided not to support any additional growth bids and, therefore, did not identify any further savings. The Green Communities Overview and Scrutiny Panel did, however, propose that the green waste service (costing £10,000) is continued into 2006/07, to be funded by DEFRA grant.

13.2 The Strong Communities Overview and Scrutiny Panel decided:-

- (i) that it would support the growth bid of £5,000 for Standards Committee training and it proposed that this should be funded by a reduction in the corporate training budget; and
- (ii) that it could not support the growth bid for the LSP Policy Officer as the Panel felt it needed further information on this.

13.3 The Safe and Healthy Communities Overview and Scrutiny Panel considered the budget proposals for the services within its remit, along with the savings proposals and bids for budgetary growth. The Panel decided to support the three growth bids for services which the Executive has indicated were priorities for budgetary growth namely: Community Safety (£110,000); Housing Options - Homelessness (£78,500); ERIC (£30,000).

However, the Panel did ask the Executive to give consideration to the growth bid for Positive Futures (£12,000) if this could possibly be accommodated within the overall growth supported for the services within its remit.

14. CONSULTATION

14.1 The results of the Residents' Opinion Survey in respect of the prioritised growth bids are detailed in paragraph 9.2.

14.2 A consultation meeting with business ratepayers was held on 15 February, the main issues raised were:-

(i) New Concessionary Travel Scheme

A free scheme would be preferred rather than free within the district and half-fare elsewhere, but the business representatives understood why the Council has taken this approach.

Perhaps of more concern is the reduction in bus services in certain areas of the district which will limit some residents' ability to take advantage of the new scheme.

(ii) Chester le Street Leisure Centre

Some people felt that the availability of the swimming pool for public swimming sessions was too limited as, at times, it is reserved for club use.

(iii) Industrial Estates

The business representatives expressed the view that the charges for unit rental should be reviewed to ensure the Council gained the maximum income from these assets.

(iv) Car Parks

All the businesses were strongly opposed to any increase in charges and would actually prefer a decrease. Reference was made to the fact that we are competing with Washington and the Metro Centre where there is free parking. Concerns were expressed about the maintenance of the car parks, particularly the lack of gritting during icy weather.

It was felt that signage to car parks needs to be improved for visitors - and that this should make it clearer which car parks are long stay and which are short stay.

Some of the representatives felt that there was a shortage of car parking spaces within the town, but this was not shared by all.

(v) The Council Tax

Concern was expressed that the increase in the tax was likely to be in excess of the rate of inflation.

15. REPORT OF THE STATUTORY FINANCIAL OFFICER

- 15.1 Section 25 of the Local Government Act 2003 requires the statutory financial officer to make a statement on the robustness and achievability of the budget and the adequacy of the Council's reserves.
- 15.2 I am satisfied that adequate provision has been made in the budget for expenditure in order to deliver an affordable level of services to the public. I am also satisfied with the level of reserves held by the Council.
- 15.3 Similarly, based on the forecast position, budgeted income levels are robust. Income does, however, remain an area of risk for the Council and, as detailed in the Risk Assessment (Appendix D) will require careful monitoring.

16. EXECUTIVE'S CONCLUSIONS

- 16.1 At its meeting on 23rd February, the Executive:-
- (1) noted the finance settlement for 2006/07;
 - (2) approved the savings totalling £568,000;
 - (3) noted that the growth bids totalling £273,500 are dependent on further offsetting savings being identified and that they are not, therefore, included in the budget for 2006/07;
 - (4) approved fees and charges for 2006/07 as detailed in Appendix C;
 - (5) considered the comments and recommendations of the Overview and Scrutiny Panels, and:-
 - (i) supported in principle the proposal of the Green Communities Overview and Scrutiny Panel, to use £10,000 of DEFRA grant, pending the identification of any greater priority arising from the environmental services inspection.
 - (ii) decided not to support the growth bid for the Standards Committee proposed by the Strong Communities Overview and Scrutiny Panel but agreed that the Chief Executive should consider future requests from the Committee and noted the Panel's comments in respect of the LSP Policy Officer.
 - (iii) noted the comments of the Safe and Healthy Communities Overview and Scrutiny Panel in respect of the Positive Futures growth bid.
 - (6) considered the results of the Residents' Opinion Survey in respect of the priorities for growth and confirmed its support to the six bids as priorities for additional funding;

- (7) considered the comments of the non-domestic ratepayers;
- (8) approved the revised budget for 2005/06;
- (9) agreed to recommend a net general fund revenue budget of £7,815,767 for 2006/07 to Council; and
- (10) agreed to recommend a Band D Council Tax of £168.00 for 2006/07 to Council.

17. RECOMMENDATIONS

17.1 It is recommended that Council:-

- (1) approves a net general fund revenue budget of £7,815,767 for 2006/07;
- (2) approves a Band D Council Tax of £168.00 for 2006/07.

Linda Chambers
Director of Resources
2 March 2006
Version 1.0

Contact Details:
Linda Chambers Tel: 0191 3872300
E-mail: lindachambers@chester-le-street.gov.uk