



Chester-le-Street
District Council

Report to: Executive

Date of Meeting: 7 January 2008

Report from: Head of Corporate Finance

Title of Report: 2008/2009 General Fund Budgetary Projections

Agenda Item Number:

1. PURPOSE AND SUMMARY

- 1.1 The purpose of the report is to advise the Executive of the 2008/09 General Fund revenue budget projections and seek the Executive's views on potential growth areas and savings proposals.
- 1.2 The Executive is requested to consider the report and determine its 2008/09 budget proposals for consultation with the Overview and Scrutiny Panels.

2. CONSULTATION

- 2.1 Corporate Management Team has been fully involved in the work supporting the budget projections.

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 the targets set out in the Corporate Plan for 2008/09.

4. IMPLICATIONS

4.1 Financial Implications and Value for Money

The financial implications are detailed throughout the report.

4.2 Legal

There are no legal implications.

4.3 Personnel

Some of the savings proposals may result in the deletion of vacant posts.

4.4 Other Services

The potential growth areas and savings proposals will clearly have an impact on other service areas.

4.5 Diversity

The budget proposals do not, at present, make any specific additional provision for equalities and diversity work.

4.6 Risk

The budget proposals will be subjected to a risk assessment; this will be reported to the Executive in February when it considers its final budget and Council Tax recommendations.

4.7 Crime and Disorder

The Crime and Disorder Act of 1998 requires the Council to consider all of its budgets, policies and plans in the light of their contribution to the reduction of crime and disorder.

4.8 Data Quality

Every care has been taken in the development of this report to ensure that the information and data used in its preparation are accurate, timely, consistent and comprehensive. The Council's data quality policy has been complied with in producing this report.

4.9 Other Implications

There are no other implications arising from the contents of the report.

5. **THE PROVISIONAL FINANCE SETTLEMENT**

5.1 The provisional local government finance settlement was announced on 06 December 2007 and included the following for Chester-le-Street District Council:-

| | £million |
|-----------------------------------|-----------------|
| Revenue Support Grant for 2008/09 | 0.626 |
| NNDR for 2008/09 | 4.495 |
| = Formula Grant for 2008/09 | 5.121 |

Increase in formula grant compared with the adjusted 2007/08 figure is £50,708 (or 1%).

5.2 The Medium Term Financial Strategy, as updated in March 2007, did include an estimated increase in formula grant of £146,000 for 2008/09, but it was noted that this would have to be revised in the light of the 2007 Spending Review which covers 2008/09 to 2010/11.

6. RESOURCES AVAILABLE FOR 2007/08

6.1 As stated in section 5.1 above, Chester-le-Street District Council will receive formula grant of £5.121 million in 2008/09. The level of resources available to fund its revenue expenditure is also dependent on Council Tax levels. Every 1% increase in Council Tax raises approximately £30,000.

6.2 The table below shows how the resources available will vary depending upon the Council Tax set for 2008/09:-

| | 5% increase £m | 4% increase £m | 3% increase £m | 2% increase £m | 1% increase £m |
|-----------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Formula Grant | 5.121 | 5.121 | 5.121 | 5.121 | 5.121 |
| Council Tax | 3.158 | 3.128 | 3.098 | 3.068 | 3.038 |
| Total Resources | 8.279 | 8.249 | 8.219 | 8.189 | 8.159 |

6.3 The Council Tax revenue assumes a council tax base of 17,086.65 Band D properties.

6.4 The 2007/08 Band D Council Tax for the District Council only is £176.06.

The Band D tax based on the different percentage increases shown in the table above would, therefore, be as follows:-

| | |
|-------------|---------|
| 1% increase | £177.82 |
| 2% increase | £179.58 |
| 3% increase | £181.34 |
| 4% increase | £183.10 |
| 5% increase | £184.86 |

6.5 The Council Tax has to be calculated at a Band D, but approximately 84% of properties within the District are in a lower Council Tax band and will, therefore, pay less than the 'average' Band D Council Tax.

6.6 In announcing the provisional finance settlement, the government has made it clear that they expect council tax to increase by substantially less than 5% overall.

6.7 The resource projections shown in the table in section 6.2 do not include the collection fund surplus. The collection fund surplus is calculated in mid-January, but an estimated figure of £30,000 has been incorporated in the figures included in section 9.1.

7. BUDGET PROJECTIONS

- 7.1 A significant amount of growth has been incorporated in the 2008/09 budgetary projections as it is unavoidable:-

| | £ |
|--|-------|
| Salaries, Wages and pensions | 246 |
| Reduction in income - including the impact of one-off grants, planning delivery grant and benefits subsidy | 260 |
| Increase in the recycling budget | 46 |
| Less Net savings in deleted posts | (163) |
| Increase in development control income | (50) |
| New planning delivery grant | (50) |
| Increase in benefits admin grant | (7) |
| | 282 |

- 7.2 After taking account of the growth totalling £282,000, the 2008/09 base budget amounts to £8.382million.
- 7.3 The draft 2008/09 budget assumes an ongoing saving of £215,000 from vacancies. It is estimated that this saving will be achieved in the current year through natural vacancies. The procurement savings target and the additional income target of £50,000 and £45,000 respectively are also included in the draft 2008/09 budget.
- 7.4 The 2008/09 projections do not include any provision to offset the problems identified in the Mid Year Financial Monitoring Position report in respect of Leisure Services, Environmental Services and Regeneration. It is assumed that those services will ensure that any expected shortfall in income or increase in expenditure is covered by savings within the service.

8. GROWTH BIDS

- 8.1 Service areas were not asked to submit any proposals for new growth.

9. SAVINGS REQUIRED

- 9.1 The 2008/09 projected budget - incorporating all unavoidable growth amounts to £8.382m.

The gap between this and the resources available clearly depends on the Council Tax level. The table below shows the amount of savings which need to be identified depending on the Council Tax increase:-

| Council Tax Increase | Savings Required £000 |
|-----------------------------|----------------------------------|
| 5% | 73 |
| 4% | 103 |
| 3% | 133 |
| 2% | 163 |
| 1% | 193 |

Note that the figures shown above take account of the estimated collection fund surplus.

- 9.2 All Service Team Managers and Heads of Service were asked to identify savings proposals as part of their budget preparation. A summary of the options put forward will be circulated at the meeting for discussion.
- 9.3 Any other growth over and above that identified in section 7.1 will require further savings to be identified.
- 9.4 As stated in section 7.3, the budget does still include an assumption that savings amounting to £215,000 will be achieved through managing vacancies; this is over and above any saving identified from the deletion of vacant posts.

10. RECOMMENDATIONS

The Executive is recommended to:-

- (i) note the provisional finance settlement as detailed in section 5;
- (ii) note the budget projections and available resources for next year (sections 6 and 7);
- (iii) consider the savings identified in section 9.2.

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