

TAUNTON DEANE BOROUGH COUNCIL

EXECUTIVE – 9 FEBRUARY 2005

REPORT OF THE HEAD OF RESOURCES

This Matter Is The Responsibility of Executive Cllr Williams (Leader of the Council)

GENERAL FUND REVENUE ESTIMATES 2005/06

Executive Summary

To consider the Executive's final 2005/06 budget proposals, prior to submission to Full Council on 22 February 2005 for approval. The report contains details on:

- 1 The General Fund Revenue Budget proposals for 2005/06; including the proposed Council Tax increase and the Prudential Indicators.
- 2 Draft figures on the predicted financial position of the Council for the following two years.

1. Purpose

- 1.1 All Councillors were presented with details of the Executive's initial budget plan prior to Christmas. This pack contained details of the General Fund Revenue and Capital budgets, along with listings of how the Executive was minded to close the budget gap.
- 1.2 Councillors were requested to feedback their views on the budget plans to the Executive so they could be taken into account before their final budget was presented for approval.
- 1.3 The Head of Resources attended Group Meetings during January to explain the content of the pack – to ensure all Councillors were fully briefed and able to join in the budget debate.
- 1.4 The Executive have considered the feedback they have received from individual Councillors and the Review Board, and now present their final General Fund revenue budget proposals for 2005/06.

2. Background Information

- 2.1 Each year the Council sets an annual budget, which sets out in detail the resources needed to meet operational requirements. The annual budget is prepared within the context of the Medium Term Financial Plan (MTFP) – which is simply a 5-year rolling financial plan.
- 2.2 Previous MTFPs have predicted an ongoing budget shortfall. Members recognised this and approved a **Financial Strategy in April 2004** to set the framework for resolving this. This Financial Strategy was a key link between the Corporate Strategy and the MTFP, and recognised that there were some difficult issues for this Council to tackle – but to continue to provide services as we have been was not an option.

- 2.3 The MTFP was updated over the summer to reflect the latest estimates from officers on unavoidable costs. The **MTFP results, together with the Budget Strategy for 2005/06 were presented to the Review Board on 7 October 2004.**
- 2.4 The key principles of the Budget Strategy were:-
- That to continue providing the current level of services was not an option for Taunton Deane.
 - That each service of the Council would be subject to scrutiny - not only for efficiency reasons, but to challenge the current level of service delivery in light of the Councils Corporate Priorities.
 - That General Fund Revenue Reserves could be reduced to £750k to facilitate the delivery of invest to save initiatives (subject to certain boundaries). That the Executive be authorised to approve such initiatives and necessary supplementary estimates on behalf of full Council.
 - That all Councillors would be given the opportunity to be involved in the process.
- 2.5 The Budget Strategy was further developed and the **Review Board considered the Profile of Services on 4th November 2004.** The Executive approved this on 17 November 2004. A summary of the profile of services is shown in Appendix A.
- 2.6 Using the Profile of Services as the framework for ensuring that resources would be matched to priorities in the 2005/06 budget, Corporate Management Team and Members of the Executive issued savings targets to each Head of Service, as follows:-

Item No	Service	Target £'000	Exec Cllr	Head of Service	Issues Being Considered
1	Housing Benefits	60	TH	SA	Delete vacant posts
2	Revenues	20	TH	SA	Delete vacant posts
3	Deane Building Design Group	100	TH/GG/NC	SA	Delete vacant posts
4	Private Sector Hsg	50	GG	CB	Supporting People Funds
5	HMO Licensing	30	GG	CB	Delay in legislation
6	HMO Registration	12	GG	CB	Efficiency Gain
7	Grants in Lower Priority Areas	72	All	All	Challenge contribution to top 4 priorities
8	Rights of Way	39	CB	TN	Actioned
9	Planning Policy	25	CB	TN	Efficiency Gain / Restructure
10	E-Government	55	TH	KT	Actioned
11	Central Services	20	TH	KT	Delete vacant posts
12	Parks / Open Spaces / Nursery / Shrubs	70	DB	PW	Efficiency Gains. Less bedding, more shrubs.
13	Leisure Development	15	DB	PW	Efficiency and grants
14	Environmental Hlth (excl Dog Warden, Licensing and Waste)	100	ME	PW	Charges, Efficiency Gains , Restructure
15	Highways Issues / Hort Maint on Highways	15	CB/DB/TH /ME	CB	Highways contract, maint of shrub beds.
16	Staff Car Parking	25	TH	KT	Charging?
17	Lease Cars (natural wastage)	?	TH	KT	Minimal Impact
18	Mobile Phones (non-essential)	10	TH	KT	Use of Pool Phones
19	Fees and Charges				Exploring increase of 10%
	- Planning	32	CB	TN	
	- Misc	5	All	All	
20	Planning Advice	10	CB	TN	Charge for pre-planning advice.
TOTAL		765			

2.7 The Heads of Service were tasked with reviewing options for delivering the savings targets, and asked to complete a Savings Delivery Plan for each target. The Savings Delivery Plans list, for each service, options for meeting the savings target – through efficiency savings, cuts to front-line service delivery, through raising extra income or through price increases. Each option has been given a category for both the ease of implementation in operational terms, and the impact of that option on the public (Category 1 = Easier through to Category 3 = Harder). The **Review Board considered the Savings Delivery Plans on 25th November 2004.**

2.8 The Executive's initial budget plans were shared with all Councillors in the pre-Christmas budget consultation pack. This showed a budget gap of £653k, together with details of all the savings delivery plans being considered.

3. Budget Strategy For 2005/06

3.1 There are two main aims of this budget setting process – to ensure the increase in council tax is minimised, and, at the same time to try and maintain excellent front-line service provision. This has meant tough choices.

3.2 Through the implementation of the Financial Strategy and the subsequent Budget Strategy, the Council now has a sustainable and affordable budget position for the future. The Profile of Services and subsequent savings targets

and delivery plans has ensured that the Council is directing it's limited resources to the priority areas:-

- Deliver the Vision for Taunton.
- Tackle Anti-Social Behaviour in our Communities.
- Work with the County Council and Others to Tackle Local Transport Priorities.
- Affordable Housing.

3.3 The General Fund Reserve is currently £1.304m. This has fallen during the year due to the need to approve supplementary estimates totalling £358k (Corporate Restructure, Additional contribution to Capital, Recycling etc). The impact of this has been reduced through budget underspends in the current year being returned to the General Fund Reserve. This does offer a small amount of flexibility in the budget funding decision but the overriding principle of ensuring the authority's underlying expenditure is not reliant on reserves remains.

3.4 As with earlier years, there is no contingency built into the 2005/06 budget. All requests for new funding must be presented as supplementary estimates from the General Fund Reserve.

4. Budget Consultation

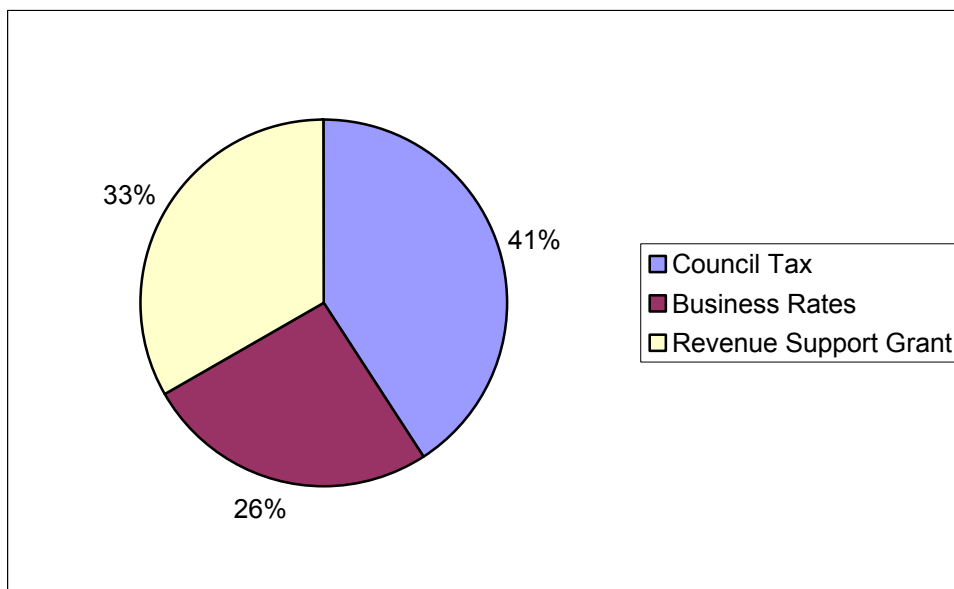
4.1 Consultation on the budget has taken place with the Taunton and Wellington Chambers of Commerce and the Taunton Retail Group. A verbal update on their comments will be provided at the Executive meeting.

4.2 It is recognised that consultation needs to take place earlier in the budget process and to kick start this Officers will, in the Spring, be consulting the public on our corporate priorities.

5. The General Fund

5.1 The General Fund Revenue Account is the Council's main fund and shows the income and expenditure relating to the provision of services which residents, visitors and businesses all have access to including Planning, Environmental Services, Car Parks, Leisure Services, certain Housing functions, Community Services and Corporate Services.

5.2 The Council makes charges for some of its services which means that less has to be funded by the taxpayer and central Government. The expenditure that remains is funded by the central government via the Revenue Support Grant, and National Non-Domestic Rates. The remainder is primarily funded by the Council Taxpayer. The table below depicts the relative proportions of each for 2004/05:



6. Local Government Finance Settlement 2005/06

6.1 This is the third year of the amended grant system for the distribution of local government funding. In the final announcement on 27 January 2005 the Government have allocated £6.771m of grant to Taunton Deane (compared to our actual grant received in 2004/05 of £6.500m).

6.2 The Government has retained the new formula for assessing the needs of each authority. This includes a floors mechanism, which ensures that all authorities will receive a minimum grant increase. The Government have nationally provided local authorities with an overall increase of 6.2% in external funding, however it has been made clear that this additional income is to enable Council Tax increases to be kept below 5% for 2005/06. In addition the new money for local authorities is for one year only and cannot be relied upon for future years.

6.3 The table below compares this years settlement with last years figures:-

	2004/05 £'000	2005/06 £'000	Variance	
			£'000	%
Revenue Support Grant (RSG)	3,676	3,739	63	1.71
NNDR Contribution	2,824	3,032	208	7.37
Total	6,500	6,771	271	4.17

6.4 In total, the Government's contribution towards our spending requirement has risen by £271k (4.17%) for next year. However, when comparing the RSG/NNDR contribution alone, in comparison with the floor, and in particular, our Somerset neighbours, this is only an average result:-

RSG/NNDR Increases 2004/5 to 2005/06

	Floor %	Ceiling %
Shire Districts	4.0	n/a
County Councils	5.9	n/a
Shire Unitaries	6.1-6.3	n/a
Metropolitans		5.5
London Boroughs	5.7	n/a

RSG/NNDR Increases 2004/05 to 2005/06

	2004/05 £'000	2005/06 £'000	% Increase	£ Per Population
Mendip	6,549	6,840	4.44	64.76
Sedgemoor	7,395	7,700	4.12	71.26
South Somerset	8,520	8,909	4.57	58.12
Taunton Deane	6,500	6,771	4.17	64.50
West Somerset	2,654	2,760	3.99	77.74
Somerset CC	287,079	307,003	6.94	604.98

6.5 The tables show that Taunton Deane Borough Council had only an average settlement, which, whilst above the predictions in the MTFP, was near the floor laid down by the Government. This has done nothing to make up for the below average settlements received in previous years.

6.6 The final settlement figures have now been received and are included in the budget proposals within this report.

6.7 It is recognised by Central Government that in order to aid local authorities with budget planning it is necessary to provide a degree of certainty over the level of grant which is to be provided each year. Therefore the Government have recently issued a consultation paper on proposals for 3-year financial settlements for local government. A further report on this will be put forward to Members in March.

6.8 Further detail on neighbouring authorities current Band D Council Tax position is set out in Appendix B.

7. General Fund Budget Proposals 2005/06

7.1 The following section outlines the draft proposals of the Executive. For ease of reference, the table presented in the budget consultation packs (orange folders, Appendix B) has been reproduced below. There have been a few amendments made to the proposals, and these are shown separately at the end of the table.

7.2 Executive's Proposals To Close The Budget Gap – Draft

Dir	Exec Cllr	Service	Proposal	Saving £	Remaining Budget Gap £
BUDGET GAP					653,000
SA	TH	Benefits	Executive are minded to take Priority 1 & 2 items outlined in the delivery plan	78,000	575,000
SA	TH	Revenues	Executive are minded to take Priority 1 & 2 items outlined in the delivery plan	48,000	527,000
SA	TH	Deane Building Design Group	Executive are minded to take Priority 1 & 2 items outlined in the delivery plan	73,063	453,937
CB	GG	Private Sector Housing	Executive are minded to take Priority 1 & 2	50,398	403,539

			items outlined in the delivery plan		
CB	GG	Private Sector Housing	Executive are minded to take Priority 1 items outlined in the delivery plan	30,000	373,539
CB	GG	Private Sector Housing	Executive are minded to take Priority 1 items outlined in the delivery plan	12,000	361,539
BC	JL-H	Community Leadership Grants	Executive are minded to reduce the grants shown in the Grants & Contributions delivery plan	37,020	324,519
TN	NC	Economic Development Grants	Executive are minded to reduce the grants shown in the Grants & Contributions delivery plan	5,060	319,459
TN	CB	Planning Grants	Executive are minded to reduce the grants shown in the Grants & Contributions delivery plan	5,000	314,459
PW	DB	Leisure Grants	Executive are minded to reduce the grants shown in the Grants & Contributions delivery plan	19,890	294,569
TN	CB	Rights of Way	A decision has already been taken by TDBC to cease this function	39,780	254,789
TN	CB	Forward Plan	Executive have already accepted the amended delivery plan which was put forward by Officers	25,000	229,789
KT	TH	IS	Executive are minded to take Priority 1 items outlined in the delivery plan	57,800	171,989
KT	TH	Central services	Executive are minded to take Priority 1 & 2 items outlined in the delivery plan	20,000	151,989
KT	CB	Off Street Parking	Increase proposed in car park fees – agreed by Council December 2004 – there is no delivery plan for this item	395,000	-243,011
PW	DB	Parks Services	Executive are minded to take Priority 1 & 2 items outlined in the delivery plan	70,178	-313,189
PW	DB	Leisure Development	Executive are minded to take Priority 1 items and part of the priority 2 items	13,710	-326,899
PW	ME	Environmental Health	Executive are minded to take Priority 1 & 2 items outlined in the delivery plan	87,179	-414,078
PW	CB	Highways	Executive are minded to take Priority 1 & 2 items outlined in the delivery plan	15,000	-429,078
KT	ALL	Various	Executive are minded to take Priority 1 items outlined in the delivery plan	14,000	-443,078
TN	CB	Development Control	Executive are minded to take Priority 1 items outlined in the delivery plan	32,000	-475,078
SA	ALL	Various	Executive are minded to take Priority 1 & 2 items outlined in the delivery plan	5,000	-480,078
TN	CB	Development Control	Executive are minded to take items A1 & A2	15,000	-495,078
TN	CB	Building Control Reserve	Executive are minded to transfer part of the annual surplus to the GF	10,000	-505,078
KT	CB	On Street Parking	Executive are minded to increase residents parking permit charges from £30 to £35	5,000	-510,078
KT	TH	IS	Various Quick Wins	13,700	-523,778
SA	TH	Financial Services	Various Quick Wins	2,000	-525,778
PW	DB	Leisure Development	Leisure Development Quick Wins	16,090	-541,868
AMENDMENTS TO BUDGET GAP IN CONSULTATION PACK					
PW	J L-H	Community Leadership	Re-instate 50% of the reductions proposed	-18,510	-523,358

		Grants	above		
TN	NC	Economic Development Grants	Re-instate 50% of the reductions proposed above. Note: no reduction taken for West Country Screen Commission grant.	-2,780	-520,578
TN	CB	Planning Grants	Re-instate 50% of the reductions proposed above	-2,500	-518,078
PW	DB	Leisure Grants	Re-instate 50% of the reductions proposed above	-9,945	-508,133
SA	JW	Collection Fund	Reduced deficit on the Collection Fund when compared to December 04 estimate	4,867	-513,000
JW	SA	Finance Settlement	Reduction in Revenue Support Grant following final settlement	-9,830	-503,170
JW	SA	Revenue Contribution to Capital (RCCO)	It was proposed to include a contribution to capital of £311,000	-311,000	-192,170
JW	SA	Revenue Contribution to Capital (RCCO)	Reduction to amount shown above to counter reduction in Finance Settlement. The final total RCCO will therefore be £301,170	9,830	-202,000
TN	NC/TH	AMP	Increase proposed in the amount required to meet our Maintenance backlog	-52,000	-150,000
PW	ME	Street Scene	Proposal to include monies to improve "street scene" services	-50,000	-100,000
TN	NC	Unauthorised Planning Reserve	Proposal to set up a reserve to deal with unauthorised planning issues	-100,000	0

7.3 The complete set of delivery plans has already been circulated to all Members with the February Review Board agenda papers and are not reproduced here. If further copies are required please contact Financial Services on 01823 356418.

7.4 In conclusion, the surplus reported in the consultation packs has fallen from a credit of £541,868 to zero.

7.5 The budget will be finalised either from the use (or transfer to) General Fund Reserves or amendments to the Council Tax (changes to the 4.5% built into the figures above) or a combination of both.

8. Review Board Proposal

8.1 The Review Board considered the Executive's draft budget proposals at their meeting on 27 January 2005 and the table below details the Executive's response to the issues raised at that meeting:

Issue Raised by Review Board	£	Executive's Comments
Crime & Disorder in Rural Areas	10,000	The Executive is not minded to change its budget plans. There are other opportunities for exploring funding for this type of initiative including the Council's work with the Crime and Disorder Partnership, the Local Strategic Partnership (via Local Action Teams) and

		finally through the provision of a relocatable CCTV system which can be used throughout the Borough.
Pest Control – reduction in bait budget	1,000	The Executive is not minded to reinstate this cut. It is an operational matter which will ultimately only impact on the level of stock held rather than the level of baiting which occurs.
Pest Control – Charges for Rodent Control	9,000	The Executive is not minded to remove this new income source.
Pest Control – subsidies for pest control	1,600	The Executive have listened to the comments made at the Review Board and have decided to <u>reinstate</u> the existing subsidy system for those residents on low incomes.
Grants – various portfolios	45,140	The Executive is not minded to change any of the proposed reductions in any grants. The Executive wishes its grants policy to direct resources to key organisations, which meet its corporate priorities. The Executive is aware that difficult decisions have had to be made but the overall funding position of the Council has been the key consideration when reviewing budget savings in this area. Any voluntary organisation, which can demonstrate a financial need, may apply to the Council's Voluntary Sector Support Fund which has been established to provide one off revenue support to such agencies.
Parks – Peripheral Flower Beds	9,000	The Executive is not minded to reinstate this. This is seen as an experimental way of providing municipal bedding for the future.

Dog Waste Bins	4,820	The Executive has listened to the comments made at the Review Board and wishes to put a <u>development bid of £4,820 into the budget</u> for the provision of 10 new bins within the Borough. This will cover the purchase, installation and emptying of the bins.
Housing Benefits	78,000	The Executive is not minded to reinstate any of the proposed cuts to this service. The service is already operating under the amended structure proposed in the savings delivery plan and it is felt that the deletion of these vacant posts will not have an adverse impact on performance
Grass Cutting and Britain in Bloom	15,000	The Executive are not minded to reinstate the proposed cuts in service. In relation to Britain in Bloom the Executive feel that this is an important part of the whole environment in which people live, work and play and should not be reduced. Regarding grass cutting the Executive feel that it is sensible to revert to the level of grass cuts which were in place historically.

8.2 In summary the Executive has agreed to reinstate two budget changes, namely the subsidies for pest control and the introduction of 10 new dog waste bins. The total cost of these additions is £6,420. The Executive wishes to reduce the Revenue Contribution to Capital (RCCO) to finance these items. The final RCCO will now total £294,750 (£301,170 as per section 7.2 above less £6,420).

9. Proposed General Fund Budget 2005/06

9.1 The Executive wishes to present the following proposal to close the remaining budget gap.

Proposed Total Council Tax Increase = 4.5%

9.2 The following table compares the proposed budget with the original budget for the current year.

	Original Estimate 2004/05 £	Forward Estimate 2005/06 £
Total Spending on Services	14,156,320	14,576,710
Revenue Financing of Capital	71,610	132,450
Asset Management Revenue Account	-2,650,280	-2,239,290
Contribution to DLO Reserve	142,420	66,650
Loans Fund Principal	-460,550	-442,420
Contribution to Vehicle and Plant Account	49,210	32,750
Interest Income	-317,000	-622,160
Contribution from General Fund Balances	-16,527	0
AUTHORITY EXPENDITURE	10,975,203	11,504,690
Less: Revenue Support Grant	-3,675,969	-3,739,152
Less: Contribution from NNDR Pool	-2,824,141	-3,032,288
Surplus/Deficit on Collection Fund	35,652	21,312
Expenditure to be financed by District Council Tax	4,510,745	4,754,562
Divided by Estimated Council Tax Base	38,675.69	39,010.22
Council tax @ Band D	116.63	121.88
Cost per week per Band D equivalent	2.24	2.34

9.3 A separate booklet sent out under separate cover, contains the summarised revenue, capital and HRA estimates.

10. The Future Financial Position of the Council

10.1 Members are encouraged to consider the medium term position when making budget decisions and it is now a requirement for the Council to prepare not only budgets for the following financial year but to also provide indicative figures for the two years after that.

10.2 The Medium Term Financial Plan (MTFP) provides an indication of the expected budget gap going forward into 2006/7 and this shows in summary the following position:

	2006/07 £000	2007/08 £000
Expected Budget Requirement	12,286	13,071
Financed By:		
External Government Support	-6,603	-6,603
Council tax (increase assumed 4.5% each year)	-5,348	-5,627
Predicted Budget Gap	335	841

10.3 The main cost pressures faced by the Council in future years are:

	2006/07 £000	2007/08 £000
Annual Pay Award	313	328
Employers Superannuation Increases	244	249
Incremental Progression	150	156
General Inflation	94	104
Total	801	837

10.4 Members should note that it is likely that the Council will have to further review services and continue the good work set out in this years budget strategy and the Profile of Services.

11. General Fund Reserve

11.1 The 2003/04 Statement of Accounts has been formally signed off by our auditors and has received an unqualified audit opinion.

11.2 A summary of the predicted General Fund Reserve position, prior to the budget setting decision is as follows:-

	£
Opening Balance 1.4.04	1,568,113
Less / Amount Used To Support 2004/05 Budget	16,527
Less / Supplementary Estimates Agreed To Date	358,257
	<hr/>
	1,193,329
Add / Q1 2004/05 Net underspend	45,980
Add/ GF Pay award underspend	65,000
	<hr/>
Predicted Balance Before Budget Setting	<u>1,304,309</u>

11.3 The budget shown in section 9 above does not require the use of reserves to support the 2005/06 budget.

11.4 The predicted balance represents 6 weeks worth of Authority expenditure.

11.5 The Authority does have other Reserves and Provisions in place, but they are all earmarked funds, and cannot be used for any other purpose. There is a process of continual review to ensure the validity of holding such earmarked funds.

12. Council Tax

12.1 The Council Tax calculation and formal tax setting resolution is considered in a separate report on this agenda. The proposed budget for Taunton Deane shown above will result in a **Band D Council Tax of £121.88**, an increase of £5.25 (4.5%) on 2004/05.

12.2 This represents an increase of 10 pence per week. The Band D taxpayer will receive all the services provided by the Borough Council in 2005/06 at a cost of £2.34 per week.

13. Taunton Unparished Area

13.1 The estimated expenses chargeable to the non-parished area of Taunton in 2005/06 amounts to £26,520, an increase of 3%, and this forms part of the total net expenditure of the Council. The precept in 2004/05 was £25,750.

13.2 The special expenses represent costs arising in respect of street / footway lighting and bus shelters.

14. Deane DLO

14.1 Detailed budgets for 2005/06 have been produced for the Deane DLO; these are based on a profit target of 5% of costs incurred. Actual performance against these profit targets will be closely monitored throughout the coming year.

15. Prudential Indicators 2005/06 to 2007/08

15.1 As part of the Prudential Code for Capital Finance there is a requirement for Full Council to approve the indicators as set out below. These include the borrowing limits, which were previously detailed in a separate report to the Executive.

Indicator	2005/06	2006/07	2007/08
Capital Expenditure:	£	£	£
General Fund	4,432,430	2,052,000	1,991,500
Housing Revenue	5,109,800	4,335,000	4,335,000
Total	9,542,230	6,387,000	6,326,500
Capital Financing Requirement:	£	£	£
General Fund	8,067,714	7,808,193	7,817,621
Housing Revenue	14,291,342	14,291,342	14,291,342
Total	22,359,056	22,099,535	22,108,963
Authorised limits for Debt	£40,000,000	£40,000,000	£40,000,000
Affordable Borrowing Limit	£22,400,000	£22,150,000	£22,150,000
Operational Boundary for Debt	£30,000,000	£30,000,000	£30,000,000
Closing Balance for Gross Borrowing	£18,020,166	£18,011,703	£18,002,700
Adoption of CIPFA Treasury Management Code	Yes	Yes	Yes
Upper and lower limits for variable rate interest exposure	Upper = 100% Lower = 50%	Upper = 100% Lower = 50%	Upper = 100% Lower = 50%
Maturity Structure of Borrowing	Up to 1 Yr: 7.72% 1-2Yrs: 0.06% 2-5Yrs: 10.3% 5-10Yrs: 17.94% 10+Yrs: 63.98%	Up to 1 Yr: 0.07% 1-2Yrs: 0.06% 2-5Yrs: 11.15% 5-10Yrs: 19.42% 10+Yrs: 69.30%	Up to 1 Yr: 0.07% 1-2Yrs: 0.06% 2-5Yrs: 11.15% 5-10Yrs: 19.42% 10+Yrs: 69.30%
Amounts invested in excess of 365 days	10% of Investment Portfolio	Nil	Nil
Ratio of Financing Costs:			
General Fund	0.79%	1.14%	1.62%
Housing Revenue	4.46%	4.14%	3.95%

Total	3.65%	3.48%	3.43%
Impact of Financing Costs on Council Tax	£0.97 per Band D	£1.44 per Band D	£2.10 per Band D

16. The Robustness of the Budget Process and the Adequacy of Reserves

16.1 The Local Government Act 2003 imposed a new duty on myself as the Council's s151 Officer to comment, as part of the budget setting process, upon:-

- the robustness of the budget; and
- adequacy of reserves.

16.2 Robustness of the Budget

I have reviewed the procedures, outputs and outcomes of the budget setting process. The main issues to be recorded include:-

- The Council has made significant progress in its corporate planning system through the development and further refinement of its Medium Term Financial Plan (MTFP), which has been extended to cover both General Fund and Housing Revenue Account services.
- The Council has approved a Financial Strategy that together with the Profile of Services will help the Council ensure that resources are directed towards priority services and help produce a clear, robust, sustainable and affordable financial plan over the medium term based on these priorities.
- The Council has involved all Members throughout the budget setting process and in the development of the current Budget Strategy (Review Board papers dated October 2004, November 2004 and January 2005).
- All Councillors were briefed on the financial position of the Council and the outline proposals to close the budget gap (Budget Consultation Pack – December 2004), in addition each political group received a presentation on the budget.
- All budget holders were involved in the production of the budgets and in developing the delivery plans used to help close the budget gap.
- The Council has systems in place to review the key risk areas within the proposed budget. A robust budget setting process helps to minimise the financial risk faced by the Council. The following “risk” areas have been taken into account of when preparing the budget proposals for 2005/06:

Area of Budget	How is this addressed within the TDBC budget process?
Inflation assumptions	Inflation has been provided for in the budget at the following rates: General – inflation has not been applied to budgets unless there is direct justification ie as a contract condition. Salaries – 2.95% (known increase) Insurance - 9% (based on current market conditions) Utilities - based upon known contract increases
Income Levels	Income projections are based on realistic assumptions, based on historic trends and taking into account current year variations against budget.

Economic assumptions	It is assumed that the average rate of interest earned on our cash investments in 2005/06 will be 4.5% which is in line with independent economic forecasts.
Salaries Budgets	Salaries budgets have been reviewed in detail, and were built up by costing each individual post.
Growth in service requirements	The MTFP identifies service growth areas ie refuse collection and street sweeping, this is then firmed up by detailed discussions with Managers during the budget process
Significant Budget areas which are subject to change during the year	The high risk/high value budgets of the Council are rigorously examined and only prudent increases built into them. In addition when forecasting the performance in both previous and current years is taken into account.
Choices available to Members	Executive Members have been presented with extensive options for closing the budget gap through the Profile of Services and the Savings Delivery Plan work
Fit with the Corporate Strategy	As a result of the Profile of Services resources are now more clearly directed toward the priorities identified in the Corporate Strategy.
Changes in Legislation	Legislative changes are analysed by officers and their effect built into the MTFP and budget ie for 2005/6 the introduction of the Civil Contingencies bill.
Prudential Indicators	Have been further defined throughout 2004/05 and have informed the setting of the 2005/06 indicators.
The impact of the Capital Programme on the Revenue Budget	The MTFP identifies changes to the base budget as a result of the capital programme. In addition new capital schemes are assessed through the PAR process, this ensures that there is a requirement for the revenue implications of new schemes are highlighted

- 16.3 The overall effect of this methodology produces a budget which is robust, challenging and also delivers the priorities of the Council.
- 16.4 **Adequacy of Reserves**
With the existing statutory and regulatory framework, it is my responsibility as s151 Officer to advise the Council about the level of reserves that it should hold.
- 16.5 The predicted General Fund Reserve position is set out in section 12. No monies are required from reserves to support the 2005/06 budget. The predicted balance on this reserve, having set the 2005/06 budget is £1,304,309.
- 16.6 In paragraph 2.4 it is mentioned that the Financial Strategy approved by the Council allowed reserves to fall to £750,000 to finance invest to save

initiatives. It is pleasing to note that, at present, reserves have only been used only once for such a purpose; the Chief Executive's Corporate Re-structure and that the budget contains amounts which will repay these monies over the next 3 years. This demonstrates that reserves are being used in a prudent, sensible and sustainable manner.

16.7 In order to assess the adequacy of this level of reserve balance, I have reviewed, alongside our medium term financial plan, the strategic, operational, and financial risks facing this Council. The key financial risk areas facing this Council requiring careful attention are listed below:-

- The budget for bed and breakfast for those declared homeless in TDBC has risen during recent years. A range of measures has been put in place to address the problem, with reasonable success. However, this remains an area of high risk and the financial impact has been reported to the Review Board via the regular Performance Monitoring reports. The current spending pattern is expected to continue and has been built into the 2005/06 budget.
- The Land Charges service has seen a marked decline in income during 2004/05 due to the increase in the number of personal searches carried out. This is to the detriment of the volume of Full searches which the Council earns income on. This overall decrease in income has been forecast to continue into 2005/06 and the income budget reduced accordingly.
- The funding regime for housing benefit and council tax benefit subsidy has remained constant for 2005/06. However, the subsidy budgets are difficult to estimate due to the fluctuating volume of claims received and the different levels of subsidy payable of types of claim error. The total benefit subsidy budget is approx £12m – and therefore small fluctuations in this budget can have a big impact on the bottom line budget of the Council. Systems are in place to ensure this is monitored on a monthly basis. In addition assumptions on the level of subsidy payable on Local Authority overpayments is at a prudent level.
- Future changes in interest rates could impact on the Council's budget. For example favourably through increased interest receipts or negatively through higher debt costs. However the budget has been based on prudent assumptions on interest rate movements taken from forecasts issued by our Treasury Management advisors, Sector. In addition debt is largely taken at fixed interest rates therefore the risk of unexpected increased interest costs are minimised.

16.8 In making my recommendation below, I have also considered the assumptions underpinning the 2005/06 budget (outlined in section 18.2 above), and the current financial management arrangements (frequency and robustness of budget monitoring regime). I have also considered the level of earmarked reserves and provisions.

16.9 The predicted balance on the General Fund Reserve represents 6 weeks worth of authority expenditure, or 11% of this Council's budget requirement.

16.10 **Based on the above, I am pleased to report that I believe the Council's reserves to be adequate and the budget estimates used in preparing the 2005/06 budget sufficiently robust.**

17. Impact on Corporate Priorities

17.1 The budget covers all of the Council's services and therefore impacts upon all Corporate Priorities.

18. Recommendation

18.1 The Executive is asked to recommend to Full Council the budget for general fund services for 2005/06 as outlined above. In particular the Executive is requested to recommend to Full Council to:

a) Approve the transfer for any underspend in 2004/05 back to General Fund reserves,

b) Approve the proposed 2005/06 budget, being Authority expenditure of £11,504,690 and Special Expenses of £26,520 in accordance with the Local Government Act 1992,

c) Note the predicted General Fund Reserve balance at 31 March 2006 of £1,304,309.

d) Approve the Prudential Indicators for 2005/06 as set out in section 16 of this report.

Background Papers

Executive & Council, April 2004 - Financial Strategy (report of the Head of Resources),

Review Board 7/10/04 – Budget Setting 2005/06 (report of the Head of Resources),

Executive 17/11/04 – Profile of Services (report of the Chief Executive),

Review Board 25/11/04 – Savings Delivery Plans (report of the Head of Resources),

Review Board 27/1/05 – General Fund Revenue Estimates 2005/06 (report of the Head of Resources).

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Appendix A

Profile of Services and Future Investment by TDBC (2005-2008)

Service	Increase Direct Funding	Maintain Direct Funding	Reduce Direct Funding
High Priority			
Economic Development and Regeneration	✓		
Planning (including Transportation)	✓		
Community Safety	✓		
Licensing	✓		
Street Cleaning	✓		
Affordable Enabling/Housing	✓		
Homelessness	✓		
Medium Priority			
Britain in Bloom		✓	
Car Parks		✓	
CCTV		✓	
Cemeteries and Crematorium		✓	
Communications		✓	
Customer Services		✓	
Democratic Services (including Members, Mayoral, Electoral Services and Parish Liaison)		✓	
Building Control		✓	
Emergency Planning		✓	
Heritage and Landscape		✓	
Land Charges		✓	
Pest Control and Dog Wardens		✓	
Policy and Performance		✓	
Sport and Leisure		✓	
Tourism		✓	
Training and Development		✓	
Waste collection and recycling		✓	
Low Priority			
Consultation activities			✓
Environmental Health (except Licensing and Dog Warden)			✓
Grants (in lower priority areas)			✓
Highways			✓
Flooding and drainage works			✓
Parks and Open Spaces			✓
Private Sector Housing (except enabling)			✓
Property (Deane Building Design Group/Valuation etc)			✓
Revenues and Benefits			✓

Further details on the profile of services is shown in the report to the Executive on 17 November 2004.

Appendix B

COUNCIL TAX COMPARISONS

AUTHORITY	2003/04 Band D Council Tax (exc Parishes)	2004/05 Band D Council Tax (exc Parishes)	Year On Year Percentage Increase (%)
Somerset Districts			
Mendip	117.63	122.16	3.85
Sedgemoor	104.43	105.97	1.47
Taunton Deane	109.51	116.63	6.50
South Somerset	118.40	124.32	5.00
West Somerset	105.09	108.06	2.83
Devon Districts			
East Devon	96.40	102.09	5.90
Exeter	97.94	102.74	4.90
Mid Devon	144.68	148.00	2.29
North Devon	129.78	136.01	4.80
South Hams	104.89	110.00	4.87
Teignbridge	126.13	128.90	2.20
Torridge	109.12	116.22	6.51
West Devon	137.69	150.70	9.45
Dorset Districts			
Christchurch	117.97	135.47	14.83
East Dorset	132.00	147.70	11.89
North Dorset	72.39	79.50	9.82
Purbeck	120.42	126.32	4.90
West Dorset	98.01	105.75	7.90
Weymouth & Portland	199.93	213.74	6.90
Cornwall Districts			
Caradon	135.89	148.12	9.00
Carrick	120.97	129.79	7.29
Kerrier	151.85	164.27	8.18
North Cornwall	126.03	134.61	6.81
Penwith	118.53	122.13	3.03
Restormel	124.57	133.29	7.00
Other Near Neighbours			
Gloucester	138.24	149.20	7.93
North Somerset	934.72	956.73	2.35
BANES	940.47	944.55	0.43
SCC	858.36	907.29	5.70