

TAUNTON DEANE BOROUGH COUNCIL

EXECUTIVE – 8 FEBRUARY 2006

REPORT OF THE FINANCIAL SERVICES MANAGER

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

GENERAL FUND REVENUE ESTIMATES 2006/07

Executive Summary

To consider the Executive's final 2006/07 budget proposals, prior to submission to Full Council on 21 February 2006 for approval. The report contains details on:

- 1 The General Fund Revenue Budget proposals for 2006/07, including the proposed Council Tax increase and the Prudential Indicators.
- 2 Draft figures on the predicted financial position of the Council for the following four 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 Financial Services Manager attended Group Meetings during January to explain the content of the pack – to ensure all Councillors are fully briefed and able to join in the budget debate.
- 1.4 The Executive have considered the feedback made by individual Councillors and the Review Board, and now present their final General Fund revenue budget proposals for 2006/07.

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 2006/07 were presented to the Review Board on 6 October 2005.**
- 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 This report also set out the methodology that would be used to scrutinise the savings and efficiencies necessary to close the budget gap. In summary this was:
- The Executive consider the overall service priorities of the Council using the Profile of Services,
 - The Executive issue savings targets to Corporate Management Team based on the Profile of Services,
 - Heads of Service prepare Savings Delivery Plans for each service, this includes prioritisation of savings based on both operational and public acceptability,
 - The Review Board scrutinise and comment on the Delivery Plans at a special meeting in November.
- 2.6 A summary of the profile of services is shown in Appendix A.
- 2.7 Using the Profile of Services as the framework for ensuring that resources would be matched to priorities in the 2006/07 budget, Corporate Management Team and Members of the Executive issued savings targets to each Head of Service.
- 2.8 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 had 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 24 November 2005.**

2.9 The Executive's initial budget plans were shared with all Councillors in the pre-Christmas budget consultation pack and included the favourable settlement received from Central Government. This showed a budget surplus of £482k, together with details of all the savings delivery plans being considered.

3. Budget Strategy For 2006/07

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.

3.2 Through the implementation of the Financial Strategy and the subsequent Budget Strategy, the council now has a sustainable and much improved 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.

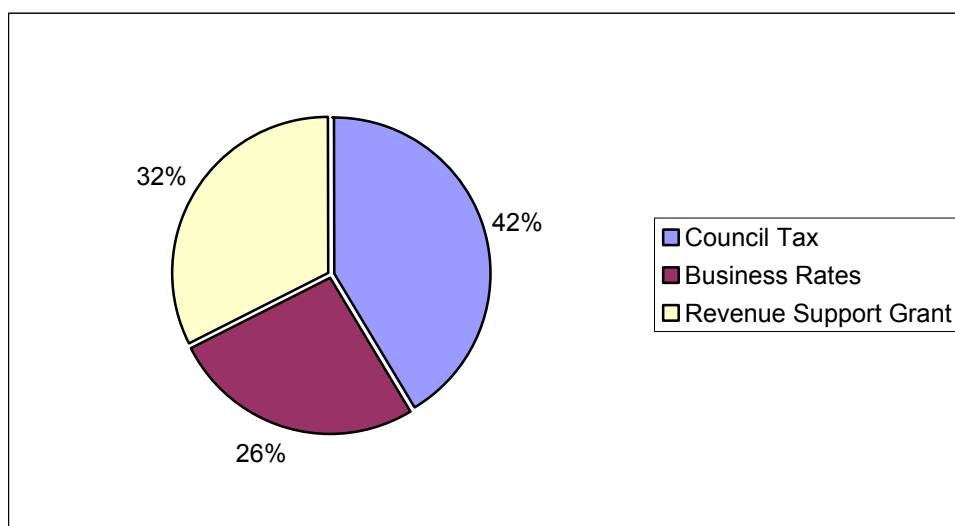
3.3 The General Fund Reserve is currently £1.34m. This has fallen during the year due to the need to approve supplementary estimates totalling £542k (Property Services Restructure, ISIS Project, Redundancy costs etc). This does offer a small amount of flexibility in the budget funding decision but the 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 2006/07 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 Chamber of Commerce, the Wellington Chamber and Taunton Retail Group. A verbal update on their comments will be provided at the meeting.

4.2 In addition last spring, Officers carried out detailed consultation on the priorities of the Council with the public. A summary of the findings was included in the Christmas Consultation Pack.



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 Council Taxpayer primarily funds the remainder. The chart below depicts the relative proportions of each for 2005/06:

6. Local Government Finance Settlement 2006/07

6.1 At the time of writing this report the Council has yet to receive the final grant figures for 2006/07. In their provisional announcement in early December 2005 the Government have allocated £7.751m of grant to Taunton Deane (compared to our actual grant received in 2005/06 of £6.771m). This year, as part of the Government's wishes to improve budget planning within local authorities, draft figures have also been provided for 2007/08 as well, this shows a grant of £8.142m.

6.2 2006/07 is the first year of grant allocated on the basis of a new distribution mechanism. However some characteristics of the old methodology have been retained. 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 4.5% in external funding, however it has been made clear that Government will not tolerate Council Tax increases above 5% for 2006/07 or 2007/08.

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

	2005/06	2006/07	Variance	
	£m	£m	£m	%
Total External Support (RSG & NNDR)	6,771	7.751	0.98	14.4

The increase in grant is partly as a result of the increased funding put into the grant system by Government for the enhanced concessionary fares scheme, which the Council will have to operate from 1 April 2006. As a result direct comparisons between years are largely meaningless. However the tables below give an indication of how well the Authority has fared when compared to our near neighbours.

6.4 In total, the Government's contribution towards our spending requirement has risen by £980k (14.4%) for next year. However, when comparing the RSG/NNDR contribution alone, in comparison with our Somerset District neighbours, this is only an average result:-

RSG/NNDR Increases 2006/7 and 2007/08

	Floor 2006/07 %	Ceiling 2006/07 %	Floor 2007/08 %	Ceiling 2007/08 %
Shire Districts	3.0	n/a	2.7	n/a
County Councils	2.0	n/a	2.7	n/a
Shire Unitaries	2.0	n/a	2.7	n/a
Metropolitans	2.0	n/a	2.7	n/a
London Boroughs	2.0	n/a	2.7	n/a

RSG/NNDR Increases 2005/06 to 2006/07

	2005/06 £m	2006/07 £m	% Increase	£ Per Population
Mendip	6.840	7.716	12.8	74.91
Sedgemoor	7.700	8.922	15.9	82.92
South Somerset	8.909	10.156	14.0	67.26
Taunton Deane	6.771	7.751	14.4	74.74
West Somerset	2.761	3.120	13.0	86.91
Somerset CC*	81.000	85.500	5.5	170.59

* SCC grant figures for 2005/06 have been adjusted to reflect a like for like basis following changes to the way in which Government support for Education will be passported to County Councils in 2006/07.

- 6.5 The tables show that Taunton Deane Borough Council had an average settlement, which was above the predictions in the MTFP.
- 6.6 The settlement figures included in the budget proposals are provisional and subject to amendment. Final figures have been promised in early February. Should they be received after the publication of this report a verbal update on any changes will be provided to Members on the night.
- 6.7 Next year the authority, in line with the next Government Comprehensive Spending Review, will receive indicative grant settlements for the three forthcoming financial years. This will again improve the Council's ability to forecast our future financial position and aid our overall financial planning.
- 6.8 Further details on neighbouring authorities Band D Council Tax is set out in Appendix B.

7. General Fund Budget Proposals 2006/07

- 7.1 The following section outlines the draft proposals of the Executive. For ease of reference, the table presented in the budget consultation packs (green folders, paragraph 3.2) 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

	£
Budget Gap reported to Review Board on 24th November	700,000
Savings Delivery Plans Considered at Review Board 24/11/05	(650,000)
Remaining Budget Gap	50,000
Adjustments to the MTFP:	
Payroll Tone Leisure Service Level Agreement	32,690
Personnel Tone Leisure Service Level Agreement	26,470
Increased NNDR costs for TDBC properties	61,400
Increased inflation costs	17,660
New Information:	
Debt recharged to HRA due to re-financing	(10,000)
Merging of posts within Housing	(17,000)
Recharge to HRA for early retirements	(5,000)
Internal Recharge variations	123,000
Updated Budget Gap Position (Weekly Bulletin 7 December)	279,220
Further Changes to Report:	
Increase in Council Tax base	(5,000)
Removal of revenue financing of capital	(20,390)
Further Internal Recharge variations	33,190
Additional cost of Tone Leisure Grant (utilities)	43,000
Funding of Wiveliscombe Area Partnership (2yrs x £3k)	6,000
Funding of Vision Delivery Team	155,000
Funding of Asbestos works	20,000
Funding of Legionella works	10,000
HIMO Licensing costs (saving identified in Appendix F now not taken)	10,000
Contribution to Reserves re Leadership Development (re: Members and senior officers)	15,000
Further Savings Plans presented for Consideration	
Increase in burial fees	(3,000)
Reduce budget for PCSOs	(7,000)
Deletion of vacant post within Housing	(17,000)
Salary recharge to Vision funded via PDG Capital (one-off)	(91,000)
Budget Gap before Draft Settlement	428,020
Draft Revenue Support Grant & Business Rates Settlement – additional external grant	(910,000)
Budget Surplus After Draft Finance Settlement	(481,980)
AMENDMENTS TO BUDGET GAP IN CONSULTATION PACK	
Proposed New Revenue Contribution to Capital	150,000
Additional cost arising from finalisation of Tone Leisure Grant	10,000
Addition to existing budget for new Cycle Racks	10,000
Addition to existing budget for new Bus Shelters	10,000
Town Centre Initiatives	16,000
Antisocial behaviour initiatives	37,000
Addition to existing budget for Tourism Publicity	5,000
Finalisation of Collection Fund Surplus	(1,874)
Contribution to reserves re Job Evaluation Costs in 2007/08	174,220

Current Budget Surplus	(71,634)
-------------------------------	-----------------

- 7.3 The complete set of delivery plans has already been circulated to all Members with the February Review Board 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 £481,980 to £71,634.
- 7.5 The budget will be finalised either from the use of (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 26 January 2006 and made no formal suggested amendments to the budget. However the Review Board did request that the scope for raising additional income from the Taunton Unparished Area precept be reviewed and a further report presented back to the Board.

9 Proposed General Fund Budget 2006/07

- 9.1 The Executive wishes to present the following proposed budget for 2006/07.

Proposed Total Council Tax Increase = 3.0%

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

	Original Estimate 2005/06 £	Forward Estimate 2006/07 £
Total Spending on Services	14,576,710	16,579,485
Revenue Financing of Capital	132,450	0
Asset Management Revenue Account	-2,239,290	-2,826,340
Contribution to DLO Reserve	66,650	136,410
Loans Fund Principal	-442,420	-635,150
Contribution to Vehicle and Plant Account	32,750	40,580
Interest Income	-622,160	-600,160
Contribution from General Fund Balances	0	0
AUTHORITY EXPENDITURE	11,504,690	12,694,825
Less: Draft Revenue Support Grant	-3,739,152	-1,248,000
Less: Draft Contribution from NNDR Pool	-3,032,288	-6,502,000

Surplus/Deficit on Collection Fund	21,312	-3,709
Expenditure to be financed by District Council Tax	4,754,562	4,941,116
Divided by Estimated Council Tax Base	39,010.22	39,358.90
Council tax @ Band D	121.88	125.54
Cost per week per Band D equivalent	2.34	2.41

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

10. General Fund Reserve Position

10.1 The 2004/05 Statement of Accounts has been formally signed off by our auditors and has received an unqualified audit opinion.

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

	£
Opening Balance 1.4.05	1,485,850
Less / Amount Used To Support 2005/06 Budget	0
Less / Supplementary Estimates Agreed To Date	<u>(542,324)</u>
Add / one off contribution from Deane Helpline	100,000
Add / repayment to reserves for early retirements granted in recent years	91,160
Add / VAT monies returned to revenue resources	83,912
Add / Cotford St Luke S106 monies now received	<u>120,000</u>
Predicted Balance Before Budget Setting	<u>1,338,598</u>

10.3 The proposed budget shown in section 9 above does not require the use of reserves to support spending. At the end of 2006/07 the predicted balance on the reserve is £1,407,088.

10.4 The predicted balance represents 5.8 weeks worth of Authority expenditure.

10.5 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.

11. Council Tax

11.1 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 £125.54**, an increase of £3.66 (3.0%) on 2005/06.

11.2 This represents an increase of 7 pence per week. The Band D taxpayer will receive all the services provided by the Borough Council in 2005/06 at a cost of £2.41 per week.

12. The Future Financial Position of the Council

12.1 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. As mentioned above the provision of an indicative future Government Grant settlement for 2007/08 helps considerably towards providing Members with more reliable forecasts than have been possible in the past.

12.2 For Members information the main cost pressures faced by the Council in future years are:

	2007/08 £000	2008/09 £000
Annual Pay Award (3% annual increase assumed)	256	263
Employers Superannuation Increases (1% annual increase assumed)	73	81
Incremental Progression	148	153
General Inflation (various increased assumed according to expenditure type)	104	114
Impact of the Job Evaluation scheme (unfunded element only)	157	Ongoing
Potential Impact on the GF of Housing Stock Transfer (only incurred in the event of a "yes" vote by tenants)	??	??
Total	738	611

12.3 The Medium Term Financial Plan (MTFP) provides an indication of the expected budget gap going forward into 2007/08 and this shows in summary the following position:

	2007/08 £m	2008/09 £m	2009/10 £m	2010/11 £m
Expected Budget Requirement	13.973	14.513	15.121	15.767
Financed By:				
External Government Support	8.142	8.223	8.305	8.389
Council tax (increase assumed 4.5% each year)	5.549	5.826	6.119	6.427
Predicted Budget Gap	0.282	0.464	0.697	0.951

12.4 Members should note that the table above has been prepared on the assumption of a 4.5% increase in Council Tax each year, clearly this will be reviewed annually in reflect the Council's aspirations. The table above also uses the indicative grant settlement already provided by the Government for 2007/08, and then annual growth of 1% has been assumed thereafter. Further work on fine-tuning the MTFP assumptions will continue early in the new financial year.

12.5 As shown above, Officers expect that, despite the work done in recent years to close the budget gap and produce a sustainable revenue budget, the increasing cost of staff (pay, pensions etc) and other future

demands on the Council will mean that there will be a budget gap in future years. The Executive will be developing their medium term budget strategy to address this ongoing problem over the coming months.

13. Taunton Unparished Area

13.1 The estimated expenses chargeable to the non-parished area of Taunton in 2006/07 amounts to £27,320, an increase of 3%, and this forms part of the total net expenditure of the Council. The precept in 2005/06 was £26,520.

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 2006/07 have been produced for the Deane DLO. Figures for each are shown below. DLO Managers will charge work to clients on the basis of recovering this expenditure and with the aim of making a surplus. In 2004/05 the DLO made an overall surplus of £110k and it is expected to make a broadly similar return in 2005/06. However it should be noted that due to the uncertainty of their income sources ie they are reliant on winning contracts, these figures are very much an estimate and are based on the best information at this time.

DLO	Expenditure £m	Income £m	Surplus £m
Building Maintenance	4.83	4.87	0.04
Highways	0.72	0.74	0.02
Grounds Maintenance	2.31	2.35	0.04
Cleansing	0.74	0.78	0.04
Total	8.60	8.74	0.14

15. Prudential Indicators 2006/07 to 2008/09

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	2006/07	2007/08	2008/09
Capital Expenditure:	£	£	£
General Fund	6,555,300	1,839,500	1,710,500
Housing Revenue	4,472,000	4,472,000	4,472,000
Total	11,027,300	6,311,500	6,182,500
Capital Financing Requirement:	£	£	£
General Fund	7,533,226	8,275,897	9,017,897
Housing Revenue	14,291,342	14,291,342	14,291,342
Total	21,824,568	22,567,239	23,309,239
Authorised limits for Debt	£40m	£40m	£40m
Affordable Borrowing	£21,900,000	£22,600,000	£23,400,000

Limit			
Operational Boundary for Debt	£30m	£30m	£30m
Closing Balance for Gross Borrowing	£18,092,029	£18,084,746	£18,074,723
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: 0.04% 1-2Yrs: 11.09% 2-5Yrs: 8.37% 5-10Yrs: 11.14% 10+Yrs: 69.36%	Up to 1 Yr: 0.03% 1-2Yrs: 11.09% 2-5Yrs: 8.38% 5-10Yrs: 11.17% 10+Yrs: 69.33%	Up to 1 Yr: 0.03% 1-2Yrs: 11.09% 2-5Yrs: 8.36% 5-10Yrs: 11.20% 10+Yrs: 69.31%
Amounts invested in excess of 365 days	Nil	Nil	Nil
Ratio of Financing Costs: General Fund	1.09%	1.37%	1.97%
Housing Revenue	4.00%	3.31%	3.04%
Total	3.35%	2.88%	2.80%
Impact of Financing Costs on Council Tax	£1.37 per Band D	£1.80 per Band D	£2.70 per Band D

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

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

The comments of the s151 Officer are shown below:

16.2 STATEMENT BY THE COUNCIL'S s151 OFFICER (Shirlene Adam, Strategic Director)

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 continued progress in its corporate planning system through the development and further refinement of its Medium Term Financial Plan (MTFP). This has been extended in the current year to cover both General Fund and Housing Revenue Account services.*

- Current ongoing budget monitoring variations identified in 2005/06 have been incorporated into the budget process for 2006/07.
- 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 2005, November 2005 and January 2006).
- All Councillors were briefed on the financial position of the Council and the outline proposals to close the budget gap (Budget Consultation Pack – December 2005), in addition each political group received a presentation on the budget.
- The budget report gives an indication of future years budget gaps, highlighting to Members of the Executive the need to continually find efficiencies.
- All budget holders were involved in the production of the budgets and in developing the delivery plans used to help close the budget gap.
- Senior staff within Financial Services have reviewed the budget for both accuracy and reasonableness.
- 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 2006/07:

Area of Budget	How is this addressed within the TDBC budget process?
<i>Inflation assumptions</i>	<i>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) for 2006/07, 3% thereafter. Insurance - 4% (based on current market conditions) Utilities - based upon known contract increases</i>
<i>Income Levels</i>	<i>Income projections are based on realistic assumptions, based on historic trends and taking into account current year variations against budget.</i>
<i>Economic assumptions</i>	<i>It is assumed that the average rate of interest earned on our cash investments in 2006/07 will be 4.25% which is in line with independent economic forecasts.</i>
<i>Salaries Budgets</i>	<i>Salaries budgets have been reviewed in detail, and were built up by costing each individual post. These have been</i>

	<i>discussed in detail with individual Service Managers</i>
<i>Growth in service requirements</i>	<i>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</i>
<i>Significant Budget areas which are subject to change during the year</i>	<i>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.</i>
<i>Choices available to Members</i>	<i>Executive Members have been presented with extensive options for closing the budget gap through the Savings Delivery Plan process. Corporate Management Team has also rigorously examined these.</i>
<i>Fit with the Corporate Strategy</i>	<i>As a result of the Profile of Services resources are now more clearly directed toward the priorities identified in the Corporate Strategy.</i>
<i>Changes in Legislation</i>	<i>Legislative changes are analysed by officers and their effect built into the MTFP and budget ie for 2006/07 the extension of the Concessionary Fares scheme.</i>
<i>Sustainability</i>	<i>The proposed budget outlined in section 9 takes into account the future financial pressures faced by the Council. Effective financial planning for the medium term is in place</i>
<i>Sensitivity Analysis</i>	<i>The financial planning model allows the Authority to predict the likely outcomes of changes to key data ie inflation, council tax, government grant etc.</i>
<i>Prudential Indicators</i>	<i>Have been further refined throughout 2005/06 and have informed the setting of the 2006/07 indicators.</i>
<i>The impact of the Capital Programme on the Revenue Budget</i>	<i>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</i>

16.3 *The overall effect of this methodology produces a budget and financial forecast, 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 adequacy of the Council's reserves position.

16.5 *The predicted General Fund Reserve position is set out in section 10. No monies are required from reserves to support the 2006/07 budget. The predicted balance on this reserve, having set the 2006/07 budget is £1,407,088.*

16.6 *CIPFA make it clear in LAAP Bulletin No.55 that the level of reserves for each Authority cannot be decided by the application of a standard formula and each authority must assess their own reserve levels based on the specific risks and pressures which they face.*

16.7 *During the last year reserves have been used to fund the following:*

- *Property Services Restructure £259k*
- *ISIS project £120k*
- *OMB Caretaker redundancy costs £38k*
- *Job Evaluation set up costs £75k*
- *Additional supported borrowing costs £60k*

Additionally the reserve has been enhanced during the last year through the following:

- *One off contribution from Deane Helpline £100k*
- *Cotford St Luke S106 monies £120k*
- *Early retirements granted in earlier years £91k*
- *VAT monies no longer required £84k*

16.8 *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. This clearly sets an acceptable minimum level of reserves for the Council.*

16.9 *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:-*

- *Budget monitoring for 2005/06 indicates a predicted overspend of £121k, this is due to a variety of factors including both one off and ongoing issues. Progress has been made in reducing the expected overspend from the level anticipated back in the summer and Managers have been asked to identify further underspends which will help alleviate any overspend further. If this is not achieved then any overspend would have to be financed from the General Fund Reserve.*
- *The budget for bed and breakfast for those declared homeless in TDBC has risen during recent years. The increased cost of this service has already been highlighted in the regular Performance reports to the Review Board. A range of measures has been put in place to address the problem, with reasonable success. However,*

this remains an area of high risk. The current spending pattern is expected to continue and has been built into the 2006/07 budget.

- The Land Charges service has continued to see a marked decline in income during 2005/06 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 2006/07 and the income budget reduced accordingly.*
- The funding regime for housing benefit and council tax benefit subsidy has remained constant for 2006/07. 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 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.*
- During 2006/07 the Council will have to implement the Job Evaluation scheme for its staff. It is expected that this will increase overall staff costs by around 4%. Clearly if this were not included within the medium term financial plan, there would be a significant risk to the Council. The budget proposals outlined in this report help alleviate this known future burden.*
- The potential transfer of our Housing Stock to a new RSL (subject to a vote by tenants in Spring/Summer 2006) could increase costs to the General Fund. There is now a process in place, which will help clarify what additional costs the Council may face, and Corporate management Team will be reviewing options to mitigate these costs thereby reducing any potential burden on the General Fund reserve.*

16.10 In making my recommendation below, I have considered the assumptions underpinning the 2006/07 budget (outlined in section 16.2 above), and the current financial management arrangements (frequency and robustness of budget monitoring regime and financial planning regime contained within the MTFP process). I have also considered the level of earmarked reserves and provisions.

16.11 *The predicted balance on the General Fund Reserve represents 5.8 weeks worth of authority expenditure, or 11% of this Council's budget requirement.*

16.12 ***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 2006/07 budget sufficiently robust.***

17. Recommendations

17.1 The Executive is asked to recommend to Full Council the budget for General Fund services for 2006/07 as outlined above. In particular the Executive is requested to recommend to Full Council to:

a) Approve the transfer for any underspend in 2005/06 back to General Fund reserves,

b) Approve the proposed 2006/07 budget, being Authority expenditure of £12,694,825 and Special Expenses of £27,320 in accordance with the Local Government Act 1992,

c) Note the predicted General Fund Reserve balance at 31 March 2007 of £1,407,088.

d) Approve the Prudential Indicators for 2006/07 as set out in section 15 of this report.

e) Note the forecast budget position for 2007/08 onwards as outlined in section 12 of this report.

Background Papers

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

Review Board 6/10/05 – Budget Setting 2006/07 (report of the Financial Services Manager).

Review Board 24/11/05 – Savings Delivery Plans 2006/07 (report of the Principal Accountant)

Christmas Budget Consultation Pack 2005 (green folder)

Review Board 26/1/06 – General Fund Revenue Estimates 2006/07 (report of the Financial Services Manager)

Contact Officer: Paul Carter
Financial Services Manager (01823 356418)
E Mail: p.carter@tauntondeane.gov.uk

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/ CCTV	✓		
Licensing	✓		
Street Cleaning	✓		
Affordable Enabling/Housing	✓		
Homelessness	✓		
Medium Priority			
Britain in Bloom		✓	
Car Parks		✓	
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			✓

APPENDIX B

COUNCIL TAX COMPARISONS

AUTHORITY	2004/05 Band D Council Tax (exc Parishes)	2005/06 Band D Council Tax (exc Parishes)	Year On Year Percentage Increase (%)
Somerset Districts			
Mendip	122.16	125.82	3.00
Sedgemoor	105.97	118.52	11.84
Taunton Deane	116.63	121.88	4.50
South Somerset	124.32	128.05	3.00
West Somerset	108.06	111.25	2.95
Devon Districts			
East Devon	102.09	107.08	4.90
Exeter	102.74	104.32	1.53
Mid Devon	148.00	154.05	4.08
North Devon	136.01	140.78	3.50
South Hams	110.00	114.85	4.40
Teignbridge	128.90	128.90	0.00
Torridge	116.22	122.03	5.00
West Devon	150.70	158.14	4.93
Dorset Districts			
Christchurch	135.47	141.89	4.74
East Dorset	147.70	154.35	4.50
North Dorset	79.50	98.00	23.20
Purbeck	126.32	132.50	4.89
West Dorset	105.75	110.69	4.67
Weymouth & Portland	213.74	223.90	4.75
Cornwall Districts			
Caradon	148.12	155.38	4.90
Carrick	129.79	135.51	4.40
Kerrier	164.27	172.01	4.70
North Cornwall	134.61	140.67	4.50
Penwith	122.13	125.14	2.46
Restormel	133.29	139.29	4.50
Other Near Neighbours			
Gloucester	149.20	153.68	3.00
North Somerset	956.73	999.78	4.50
BANES	944.55	989.43	4.75
SCC	907.29	939.05	3.50