

TAUNTON DEANE BOROUGH COUNCIL

EXECUTIVE – 7 FEBRUARY 2007

REPORT OF THE FINANCIAL SERVICES MANAGER

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

GENERAL FUND REVENUE ESTIMATES 2007/08

Executive Summary

To consider the Executive's final 2007/08 budget proposals, prior to submission to Full Council on 20 February 2007 for approval. The report contains details on:

- 1 The General Fund Revenue Budget proposals for 2007/08, 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 over 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 2007/08.

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 As a reminder, the key principles of the Financial 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.
- 2.4 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 2007/08 were presented to the Review Board on 5 October 2006.**
- 2.5 The budget strategy report 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 reminder of the Council's agreed 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 2007/08 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 30 November 2006.**

- 2.9 The Executive's initial budget plans were shared with all Councillors in the pre-Christmas budget consultation pack. This showed a budget surplus of £39.5k, together with details of all the savings delivery plans being considered.

3. Budget Strategy For 2007/08

- 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:-
- Delivery of Project 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 £1.442m. This has fallen during the year due to the need to approve supplementary estimates totalling £265k (Concessionary travel, additional staffing resources, Westival, Christmas lights, RCCO, New Planning IT System). 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 2007/08 budget. All requests for new funding must be presented as supplementary estimates from the General Fund Reserve.

4. Budget Consultation

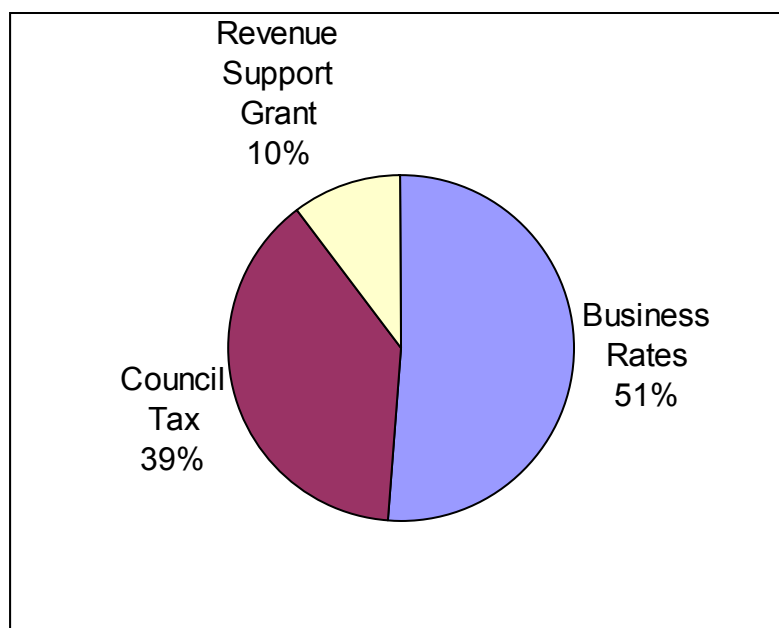
- 4.1 Consultation on the budget has taken place with the Taunton Chamber of Commerce, Wellington Chamber and Taunton Town Centre Company. A verbal update on their comments will be provided at the meeting.
- 4.2 In addition last spring, Officers carried out detailed consultation on the priorities of the Council with the public. A summary of the findings of "Your Council, Your Views" 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 2006/07:



6. Local Government Finance Settlement 2007/08

- 6.1 Last year the Government provided draft figures for 2007/08 of £8.156m. These figures did not change in either the provisional announcement or the final figures announced on 18th January 2007. (The actual grant received in 2006/07 is £7.755m).
- 6.2 The funding methodology used by the DCLG has not changed from that in place for 2006/07. Part of the methodology ensures that each local authority receives a minimum increase in cash granted; this is known as the “floor”. For 2007/08 the floor in place for district tier councils is 2.7%.
- 6.3 The table below summarises this years draft settlement with last years figures:-

	2006/07	2007/08	Variance	
	£m	£m	£m	%
Total External Support (RSG & NNDR)	7.755	8.156	0.40	5.17

In total, the Government’s contribution towards our spending requirement has risen by £401k (5.17%) for next year.

6.4 The tables below summarise the grant settlements issued for Somerset:-

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 2006/07 to 2007/08

	2006/07 £m	2007/08 £m	% Increase	£ Per Population
Mendip	7.711	8.028	4.1	74.61
Sedgemoor	8.929	9.467	6.0	87.58
South Somerset	10.162	10.614	4.4	70.29
Taunton Deane	7.755	8.156	5.2	75.80
West Somerset	3.122	3.208	2.8	89.35
Somerset CC*	85.559	82.085	(4.1)	160.89

* Due to the creation of the Devon and Somerset Fire Authority there is a reduction in the amount SCC will receive in RSG/NNDR for 2007/08, therefore the figures shown in the table above for SCC are not directly comparable.

6.5 The DCLG have confirmed that they do not expect to see Council Tax increases above 5%.

6.6 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.

6.7 Further details on neighbouring authorities Band D Council Tax is set out in Appendix B.

7 General Fund Budget Proposals 2007/08

7.1 The following section outlines the draft proposals of the Executive. For ease of reference, the table presented in the budget consultation packs (buff 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

	£'000
Budget Gap reported to Review Board on 30th November	93.6
Items updated verbally at Review Board on 30 th November:	
Further increase in concessionary travel costs	140
Increase in Council Tax Base	(14)
Updated Budget Gap to Review Board on 30th November	219.6
Savings Delivery Plans considered at Review Board on 30 th November	(88.9)
Remaining Budget Gap	130.7
Adjustments to the MTFP:	
Increased housing benefit subsidy income	(20)
Increased waste contract costs (contract extension)	118.3
One-off funding of waste contract costs due to Waste Partnership	(100)
Remove 07/08 RCCO re Finance System (to be provided via ISIS)	(47)
Implications of action taken:	
Debt restructuring – reduced interest costs & increased investment returns	(117)
New Information:	
Changes to NI and tax rules following Pre Budget report	(4.5)
Budget Surplus After Draft Finance Settlement (as per Budget Consultation Packs)	(39.5)
New Information:	
Deficit on Collection Fund	5
Budget Surplus After Draft Finance Settlement	(34.5)

7.3 The Executive are minded to fund new initiatives in 2007/08 in the following areas:

2007/08 New Initiatives:		
A	Grant towards running cost of Westival	15
B	Cardboard Recycling (Bring Banks)	10
C	Proposed Skate Park - potential revenue costs	30
D	Handyman – expansion of existing service	10
E	Warm and Well – expansion of existing service	25
F	Creation of a Climate Change Strategy	15
G	Crime & Antisocial Behavior – new initiatives	19.5
	Total of New Initiatives	124.5

A brief narrative is provided for each of these items below:

- A. During the current year a grant of £19k has been provided towards the running costs of Westival. The Executive wish to put £15k into the budget for an ongoing grant towards Westival.
- B. Negotiations are underway with Perrys Recycling to convert existing paper banks to also accept cardboard.
- C. Plans are currently being drawn up for the new skatepark. Once these are finalised firm proposals will be brought to the Executive with both Capital build costs and Revenue running costs. At present the revenue running costs are estimated to be £30k per annum.
- D. The Handyman is often required to undertake works that from a practical and Health and Safety perspective require 2 people to complete the job. Typically this can include cleaning and repairing gutters where a ladder is required and where it is necessary to move furniture. Elderly residents are also having increasing problems where new appliances, fridges and washing machines have been purchased and the suppliers are now stating that they will only remove the appliance from outside the resident's dwellings. Consequently the additional £10,000 will be used to pay for the use of a second person when they are required. The Handyman is also getting requests to increase the range of services to include the fitting of CO2 alarms and keysafes which are installed in the homes of vulnerable and frail elderly residents in order to allow easy access for visitors, the additional funding will allow these services to be provided.
- E. The Council works in partnership with the Centre for Sustainable Energy (CSE) and other District Councils to provide energy efficiency grants to elderly residents, over the age of 70, under the successful Warm and Well Scheme. This is a very useful scheme because it enables grants to be given to elderly residents on low income who do not qualify for the Government's Warmfront Grants because they are above the income threshold for these means tested grants. The additional funding will allow the qualifying age threshold to be reduced to residents who are 65 years old and in receipt of pensions.
- F. We will develop a climate change strategy to ensure that the Council is playing its local part in tackling the global challenge of climate change. The strategy will focus on Council's direct role as an energy user as well as the significant part we can play in influencing others through our local leadership, partnership and policy-making role. The development of a climate change strategy is an extension of the "Nottingham Declaration on Climate Change", signed by over 100 local authorities including Taunton Deane.
- G. Following the clear message from the public in the recent 'Your Council, Your Views' consultation, the Executive proposes to allocate £19,500 towards initiatives designed to promote community safety and tackle anti-social behaviour in our communities

7.4 In addition to the new initiatives above the executive are minded to review the timescales for implementing their grant reduction to the Brewhouse Theatre. The theatre is going through a period of considerable change and the Executive wish to support this by deferring the implementation of the grant strategy by one year.

7.5 In summary the budget proposal of the Executive are:

Budget Surplus After Draft Finance Settlement (as 7.2 above)	(34.5)
New Initiatives	124.5
Brewhouse grant strategy	15
Budget Gap After Draft Finance Settlement	105

7.6 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.

8 Review Board Proposal

8.1 The Review Board considered the Executive's draft budget proposals at their meeting on 25 January 2007. No formal amendments were recommended. Comments were made regarding the Westival grant and the deferring of the reduction in Brewhouse grant. Members also raised questions regarding the Concessionary Travel scheme and whether the expected overspend in 2006/07 has been included in the 2007/08 budget.

9 Proposed General Fund Budget 2007/08

9.1 The Executive wishes to present the following proposed budget for 2007/08.

Proposed Total Council Tax Increase = 2.0%

9.2 Taking into account a Council Tax increase of 2% and the level of income, which will be generated from the proposed increases in Car Parks fees, the budget gap has now been fully closed as demonstrated in the table below.

Budget Gap After Draft Finance Settlement	105
Issues still to be resolved:	
Car Parks – subject to meeting of TRO panel regarding car parking fees and approval at Full Council in February	(230)
Council Tax – 2 %	125
Budget Gap	0

- 9.3 The following table compares the proposed budget with the original budget for the current year:

	Original Estimate 2006/07 £	Forward Estimate 2007/08 £
Total Spending on Services	16,584,480	15,834,800
Asset Management Revenue Account	(2,649,350)	(550,740)
Loans Fund Principal	(635,150)	(1,144,330)
Interest Income	(600,160)	(894,000)
Contribution from General Fund Balances	0	0
AUTHORITY EXPENDITURE	12,699,820	13,245,730
Less: Revenue Support Grant	(1,254,774)	(1,313,235)
Less: Contribution from NNDR Pool	(6,500,220)	(6,842,655)
Surplus/Deficit on Collection Fund	(3,710)	4,830
Expenditure to be financed by District Council Tax	4,941,116	5,094,670
Divided by Estimated Council Tax Base	39,358.90	39,786.35
Council tax @ Band D	£125.54	£128.05
Cost per week per Band D equivalent	2.41	2.46

- 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 2005/06 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	1,383,364
Less / Amount Used To Support 2005/06 Budget	0
Less / Supplementary Estimates Agreed To Date	<u>(264,544)</u>
Add repayment to reserves for early retirements granted in recent years	67,580
Cont from Defra earmarked reserve	10,000
Add repayment to reserves re underspend on Wellsprings project	246,000
Predicted Balance Before Budget Setting	<u>1,442,400</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 2007/08 the predicted balance on the reserve is £1,567,020.

10.4 The predicted balance represents 6.15 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 £128.05**, an increase of £2.51 (2.0%) on 2006/07.

11.2 This represents an increase of 4.8p pence per week. The Band D taxpayer will receive all the services provided by the Borough Council in 2007/08 at a cost of £2.46 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.

12.2 The Medium Term Financial Plan (MTFP) provides an indication of the expected budget gap going forward into 2008/09 and this shows in summary the following position:

	2008/09 £m	2009/10 £m	2010/11 £m	2011/12 £m
Expected Budget Requirement	14,390	14,948	15,394	15,968
Financed By:				
External Government Support	8,237	8,320	8,403	8,487
Council tax (increase assumed 4.5% each year)	5,751	6,037	6,339	6,657
Predicted Budget Gap	402	591	653	825

12.3 Members should note that the table above has been prepared on the assumption of a 4.5% increase in Council Tax each year, including 2008/09. In addition annual growth of 1% in Government support has also been assumed. The figures above take into account the ongoing impact of all of the Executive's budget proposals and the 2007/08 proposed Council Tax level.

12.4 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 demands on the Council will mean that there will continue to be a budget gap in future years. The Executive will receive a report early in the new financial year, which will be reviewing the MTFP position. The objective for the Executive will be to draw up a plan to resolve the ongoing budget gap for the medium term.

13. Taunton Unparished Area

13.1 The estimated expenses chargeable to the non-parished area of Taunton in 2007/08 amounts to £27,870, an increase of 2%, and this forms part of the total net expenditure of the Council. The precept in 2006/07 was £27,320.

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 2007/08 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 2005/06 the DLO made an overall surplus of £71k and it is expected to make a broadly similar return in 2006/07. However it should be noted that due to the uncertainty of their income sources i.e. they are reliant on winning contracts, these figures are very much an estimate and are based on the best information at this time. The figures below reflect the impact of the proposed restructure within Housing.

DLO	Expenditure £'000	Income £'000	Surplus/(Deficit) £'000
Building Maintenance	4,274	4,353	79
Highways	765	765	0
Grounds Maintenance	2,459	2,459	0
Cleansing	765	746	(19)
Total	8,263	8,323	60

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.

PRUDENTIAL INDICATOR	2005/06 £'000	2006/07 £'000	2007/08 £'000	2008/09 £'000	2009/10 £'000
	out-turn	estimate	estimate	estimate	estimate
Capital Expenditure					
General Fund	£4,196,369	£3,279,910	£2,240,200	£1,725,200	£3,442,100
HRA	£4,991,450	£4,115,000	£4,907,700	£5,062,400	£5,265,400
TOTAL	£9,187,819	£7,394,910	£7,147,900	£6,787,600	£8,707,500
Ratio of financing costs to net revenue stream					
General Fund	-0.03%	-1.91%	-5.48%	-3.51%	-2.98%
HRA	5.00%	4.00%	3.93%	3.73%	3.55%
Net borrowing requirement					
brought forward 1 April	£3,959,700	£5,897,121	£6,633,630	£7,133,630	£7,633,630
Carried forward 31 March	£5,897,121	£6,633,630	£7,133,630	£7,633,630	£8,133,630
in year borrowing requirement	£1,937,421	£736,509	£500,000	£500,000	£500,000
Capital Financing Requirement as at 31 March					
General Fund	£6,400,779	£7,137,288	£7,637,288	£8,137,288	£8,637,288
HRA	£14,291,342	£14,291,342	£14,291,342	£14,291,342	£14,291,342
TOTAL	£20,692,121	£21,428,630	£21,928,630	£22,428,630	£22,928,630
Incremental impact of capital investment decisions	£ p	£ p	£ p	£ p	£ p
Increase in council tax (band D)	0.99	0.50	0.50	0.50	0.50
Authorised limit for external debt -					
TOTAL	£40,000,000	£40,000,000	£40,000,000	£40,000,000	£40,000,000
Operational boundary for external debt -					
TOTAL	£30,000,000	£30,000,000	£30,000,000	£30,000,000	£30,000,000
Upper limit for fixed interest rate exposure					
Net interest re fixed rate borrowing/ investments	100%	100%	100%	100%	100%
Upper limit for variable rate exposure					
Net interest re variable rate borrowing/ investments	50%	50%	50%	50%	50%
Upper limit for total principal sums invested for over 364 days (per maturity date)					
	£2m or 20%	£2m or 20%	£2m or 20%	£2m or 20%	£2m or 20%

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 Medium Term Financial Plans (MTFPs) have proved to be more accurate in assessing the Council's forecast budget gap when compared to previous years. This indicates that the process is able to identify budget pressures earlier in the budget process, thereby giving the Authority greater time to plan its finances.*
- *The MTFP includes sensitivity analysis to assess the impact on the budget of fluctuating costs.*
- *Heads of Service Plans have been reviewed to ensure that key items are included in the budget.*
- *Current ongoing budget monitoring variations identified in 2006/07 have been incorporated into the budget process for 2007/08, for example Concessionary Travel*
- *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 2006, November 2006 and January 2007).*
- *All Councillors were briefed on the financial position of the Council and the outline proposals to close the budget gap (Budget Consultation Pack – December 2006), 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 2007/08:*

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</i>

	<p><i>budgets unless there is direct justification ie as a contract condition.</i></p> <p><i>Salaries – 3% for 2007/08, 3% thereafter.</i></p> <p><i>Insurance - 3% (based on current market conditions)</i></p> <p><i>Utilities - based upon known contract increases</i></p>
<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>Investment interest assumptions are based on independent economic forecasts and include the impact of Treasury Management decisions made in 2006/07.</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 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>Efficiency Initiatives</i>	<i>The Council is involved in several initiatives which will benefit the Revenue Budget, for example ISIS and the joint Waste Contract Procurement exercise, as the favourable impact on the budget is not yet known this has been excluded from the 2007/08 budget.</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.</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 revised during 2006/07 and their results have informed the setting of the 2007/08 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 identified.</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 2007/08 budget. The predicted balance on this reserve, having set the 2007/08 budget is £1,442K.*

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 *The movement on the General Fund reserve during 2006/07 is as follows:*

Item	£000	£000
<i>Balance Brought Forward 1 April 2006</i>		1,383
<i>Supplementary Estimates Granted during 2006/07:</i>		
<i>Additional Resources: HR & Finance</i>	<i>(57)</i>	

<i>Creation of Web Marketing Officer Post</i>	(30)	
<i>Town Centre Co. – new Xmas Lights</i>	(14)	
<i>Contribution to reserve re Concessionary Travel</i>	(45)	
<i>Westival Sponsorship</i>	(19)	
<i>Museum of Somerset – additional RCCO</i>	(20)	
<i>New Planning IT system (subject to approval by Full Council in February)</i>	(80)	
Total Supplementary Estimates		(265)
<i>Other Movements 2006/07:</i>		
<i>Wellsprings Capital Project Underspend returned to GF Reserves</i>	246	
<i>Contribution from Recycling Reserve</i>	10	
<i>Repayment of Reserves for one off staffing restructure costs incurred in previous years</i>	68	
Total		324
Estimated Balance @ 31 March 2007		1,442

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 2006/07 indicates a predicted overspend of £24k as at the end of September 2006, this is likely to increase at Q3 due to increased costs associated with the enhanced concessionary travel scheme. Progress has been made in reducing the expected overspend from the level anticipated back in the spring 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 anticipated overspend on concessionary travel (£372k), together with an allowance for inflationary pressures has been built into the 2007/08 budget.*
- 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 success. However, this remains an area of high risk. The current spending pattern is expected to continue and has been built into the 2007/08 budget.*
- The funding regime for housing benefit and council tax benefit subsidy has remained constant for 2007/08. 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 £22m – 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 2007/08 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% and this has been built into the budget for 2007/08. This remains an area of risk as the final scoring and grading of all posts within the Council is not yet complete and therefore the budget includes the best estimate available at the present time.*

16.10 In making my recommendation below, I have considered the assumptions underpinning the 2007/08 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 5.9 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 2007/08 budget sufficiently robust.*

17. Recommendations

17.1 The Executive is asked to recommend to Full Council the budget for General Fund services for 2007/08 as outlined above. In particular the Executive is requested to recommend to Full Council to:

a) Approve the transfer for any potential underspend in 2006/07 back to General Fund reserves,

b) Approve the proposed 2006/07 budget, being Authority expenditure of £13,245,730 and Special Expenses of £27,870 in accordance with the Local Government Act 1992,

c) Note the predicted General Fund Reserve balance at 31 March 2007 of £1,442,400.

d) Approve the Prudential Indicators for 2007/08 as set out in section 15 of this report.

e) Note the forecast budget position for 2008/09 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 5/10/06 – General Fund Budget Setting 2007/08 (report of the Financial Services Manager).

Review Board 30/11/06 – Savings Delivery Plans 2007/08 (report of the Principal Accountant)

Christmas Budget Consultation Pack 2006 (buff folder)

Review Board 25/1/07 – General Fund Revenue Estimates 2006/07 (report of the Financial Services Manager)

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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
Economic Development and Regeneration	✓		
Planning (including Transportation)	✓		
Community Safety/ CCTV	✓		
Licensing	✓		
Street Cleaning	✓		
Affordable Enabling/Housing	✓		
Homelessness	✓		
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		✓	
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	2005/06 Band D Council Tax (exc Parishes)	2006/07 Band D Council Tax (exc Parishes)	Year On Year Percentage Increase (%)
Somerset Districts			
Mendip	125.82	127.18	1.08
Sedgemoor	107.65	112.21	4.24
Taunton Deane	121.88	125.54	3.00
South Somerset	128.05	131.89	3.00
West Somerset	111.25	114.00	2.47
Devon Districts			
East Devon	107.09	109.45	2.20
Exeter	104.32	106.93	2.50
Mid Devon	153.82	160.23	4.17
North Devon	140.77	147.10	4.50
South Hams	114.85	120.36	4.80
Teignbridge	128.90	132.07	2.46
Torridge	122.03	128.13	5.00
West Devon	158.14	165.89	4.90
Dorset Districts			
Christchurch	141.89	148.80	4.87
East Dorset	154.35	162.00	4.96
North Dorset	83.84	88.00	4.96
Purbeck	132.50	138.60	4.60
West Dorset	110.69	113.40	2.45
Weymouth & Portland	222.11	230.90	3.96
Cornwall Districts			
Caradon	155.38	163.15	5.00
Carrick	135.50	140.81	3.92
Kerrier	172.00	177.95	3.46
North Cornwall	140.67	147.00	4.50
Penwith	125.14	128.38	2.59
Restormel	139.29	145.56	4.50
Other Near Neighbours			
Gloucester	153.68	158.29	3.00
North Somerset	999.77	1,048.80	4.90
BANES	989.42	1,038.41	4.95
SCC	939.05	986.00	5.00