

TAUNTON DEANE BOROUGH COUNCIL

EXECUTIVE – 6 FEBRUARY 2008

REPORT OF THE FINANCIAL SERVICES MANAGER

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

GENERAL FUND REVENUE ESTIMATES 2008/09

Executive Summary

To consider the Executive's final 2008/09 budget proposals, prior to submission to Full Council on 19 February 2008 for approval. This report contains details on:

- 1 The General Fund Revenue Budget proposals for 2008/09, 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 a "budget setting progress pack" over Christmas. This pack contained details of the draft General Fund Revenue and Capital budgets, along with schedules of possible savings ideas.
- 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 has attended all Group Meetings 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 Overview and Scrutiny Board, and now present their final General Fund Revenue budget proposals for 2008/09.

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 is a key link between the Corporate Strategy and the MTFP, and recognises that there are some difficult issues for this Council to tackle.

- 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.

3. Budget Strategy 2008/09

- 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 towards our Corporate Objectives:-
- Economy – regenerating Taunton and strengthening the economy of the Borough.
 - Transport – minimising the growth in traffic congestion.
 - Crime – promoting safer communities and tackling anti-social behaviour.
 - Healthy Living – promoting healthy and sustainable communities.
 - Environment – safeguarding and enhancing the local environment.
 - Delivery – delivering accessible, value for money services.
- 3.3 The General Fund Reserve is currently £844k. This has fallen during the year due to the need to approve supplementary estimates totalling £573k (Recycling Pilot scheme, ISIS, LGR Referendum funding, CMT/Legal/Democratic services restructure). Given the limits set down in the Financial Strategy 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 2008/09 budget. All requests for new funding must be presented as supplementary estimates from the General Fund Reserve.

4. The Budget Setting Process 2008/09

- 4.1 The MTFP was updated over the summer to reflect the latest estimates from officers on unavoidable costs. The MTFP results for 2008/09 were

presented to the Overview and Scrutiny Board on 4 October 2007. The Budget Strategy was presented to the Board on 1 November 2007.

4.2 The Executive is proposing two amendments to the Profile of Services as follows:-

- That “Flooding & Drainage Works” be reclassified to “maintain direct funding”; and
- A new heading of “Sustainability” be added to the “increase direct funding” category.

This reflects the priorities set out in the Corporate Strategy (which was approved by the Executive on 14th January 2008). The proposed Profile of Services is included at Appendix A.

4.3 Using the Profile of Services as the framework for ensuring that resources would be matched to priorities in the 2008/09 budget, Corporate Management Team and Members of the Executive issued savings targets to Managers.

4.4 Managers were tasked with reviewing options for delivering the savings, and asked to complete a Savings Delivery Plan for each service area. The savings plans have been shared and debated widely including: -

- The Overview and Scrutiny Board 13 December 2007.
- Included in the Pre-Christmas Budget Progress Pack to all Councillors.
- The Executive 14 January 2008.

5. Savings Delivery Plans

5.1 The full set of savings plans have already been circulated to all Members with the January Executive papers and are not reproduced here. If further copies are required then please contact Financial Services on 01823 356418. There are three changes to report since the original versions were published in December:-

- Saving “D3, Floodlighting Budget - £5,000” within the Economic Development Portfolio – reclassify to a public acceptability rating of “3”. This was previously classified as a “2” rating.
- Saving “D1, Democratic Costs – Refreshments £1,120” within the Resources Portfolio – reclassify to an acceptability rating of “3”. This was previously classified as a “2” rating.
- Saving “Public Conveniences” - £45,400 within the Environmental Services Portfolio – reduce savings target to £42,250 (as per recommendation at Executive Meeting on 14/1/08).

5.2 The potential financial impact of the savings delivery plans are set out in the table below.

Public Savings Category	Amount Generated (Public Category) £000	Cumulative Amount £000	Forecast Budget Gap (if savings fully taken) £000
Category 1	1,134	1,134	60
Category 2	101	1,235	(41)
Category 3	145	1,380	(186)

- 5.3 The Executive have already agreed at their last meeting to accept all Category 1 and 2 savings plans. There is likely to be one member of staff affected by this decision. This will be formally reported to the next meeting of the Executive.

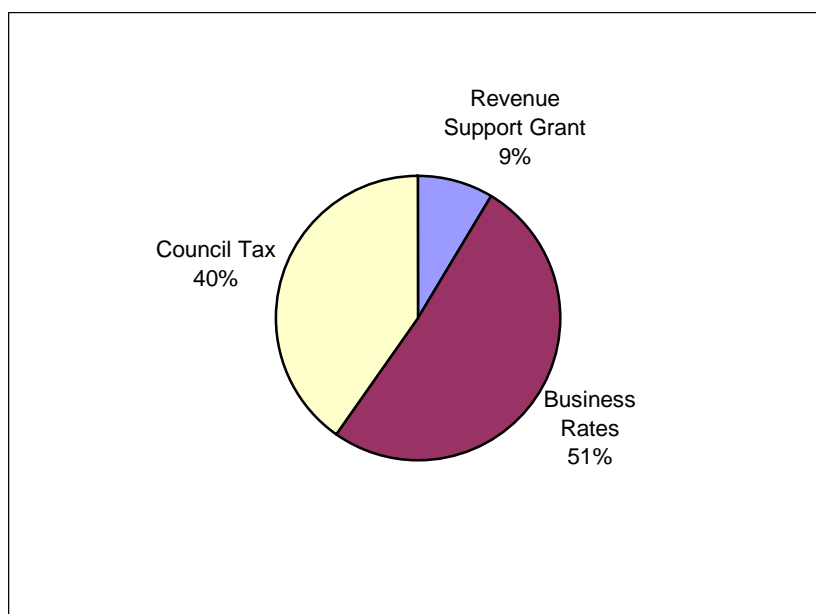
6. Budget Consultation

- 6.1 Last summer 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.
- 6.2 Further consultation sessions on the budget have been arranged 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.

7. The General Fund Budget - Background & Grant Settlement

Background

- 7.1 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.
- 7.2 The Council makes charges for some of its services which means that less has to be funded from general taxation the taxpayer and central Government. The expenditure that remains is funded by 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 2007/08:



Local Government Finance Settlement 2008/09

- 7.3 In 2007/08 the Council received a total of £8.156m from Central Government via the Finance Settlement. On 24 February the Council received the final 2008/09 settlement figures from Government – these made only minor changes to the figures that had been announced in the draft settlement received prior to Christmas.
- 7.4 The funding methodology used by the DCLG has changed from that in place for 2007/08. From 2008/09 the Waste Performance and Efficiency Grant, which up until 2008/09 had been a separate grant, will now be included in the Finance Settlement. Therefore when comparing figures for 2007/08 and 2008/09 we have to include this separate grant. Part of the methodology ensures that each local authority receives a minimum increase in cash granted: this is known as the “floor”. For 2008/09 the floor in place for district tier councils is 1%.
- 7.5 The table below summarises this years draft settlement with last years figures:-

	2007/08 (Actual) £'000	2008/09 (Provisional) £'000	2009/10 (Provisional) £'000	2010/11 (Provisional) £'000
Government Settlement (RSG and NDR)	8,156	8,369	8,536	8,721
Waste Performance & Efficiency Grant	93	-	-	-
Total	8,249	8,369	8,536	8,721
Year on Year Change (£)	-	+120	+167	+185
Year on Year Change (%)	-	+1.45	+2.0	+2.2

In total, the Government's contribution towards our spending requirement has risen by £120k (1.45%) for next year.

- 7.6 The tables below summarises the grant settlements by type of authority and across Somerset:-

RSG/NNDR Increases 2007/8 to 2010/11

	Floor 2007/08 %	Floor 2008/09 %	Floor 2009/10 %	Floor 2010/11 %
Shire Districts	2.70	1.00	0.50	0.50
Education/Social Services Authorities	2.70	2.00	1.75	1.50
Police Authorities	3.60	2.50	2.50	2.50
Fire Authorities	2.70	1.00	0.50	0.50

RSG/NNDR Increases 2007/08 to 2008/09

	2007/08 £m	2008/09 £m	% Increase	£ Per Population
Mendip	8.085	8.209	1.53	74.49
Sedgemoor	9.524	9.720	2.06	85.66
South Somerset	10.694	10.851	1.47	67.84
Taunton Deane	8.249	8.369	+1.45	75.45
West Somerset	3.228	3.260	0.99	90.72
Somerset CC	90.593	98.462	+8.69	185.61

- 7.7 The DCLG have confirmed that they do not expect to see Council Tax increases above 5%.
- 7.8 The issuing of draft figures for 2009/10 and 2010/11 by Government will improve the Council's ability to forecast our future financial position and aid our overall financial planning.
- 7.9 Further details on neighbouring authorities Band D Council Tax is set out in Appendix B.

8 THE EXECUTIVE'S BUDGET PROPOSALS 2008/09

- 8.1 This section outlines the new initiatives proposed by the Executive, some further information on the budget gap projection, and a summary of the overall budget proposal.

8.2 NEW INITIATIVES / PROPOSALS

Climate Change

The Executive, in the latest Corporate Strategy, has set an objective to promote sustainability. With this in mind, the Executive propose to earmark an sum of £25,000 in the 2008/09 budget to help deliver this.

Car Park Income

The decision on parking fees was published by the Executive Councillor in

December 2007. The Executive propose to earmark £50,000 of this fee increase for new initiatives as follows:-

- A dedicated **TDBC Funded PCSO (£28,000)**. This is a new post, in addition to those already provided and funded by our partners. This will help the Council deliver its priorities around safer communities.
- **Sustainable Transport Initiatives (£22,000)**. This is a new funding initiative that will help the Council deliver its priorities on transport, and sustainability.

Planning Income

The Executive propose to earmark some of the additional funds raised by the planning fee increase and new local fees (see separate report from Tim Burton) to improve the pre-application advice service.

Area Working

The recent Task & Finish Review on “Youth” highlighted the need for funding to deliver on projects throughout the Deane. The Executive recognize that this, and many other projects could be best delivered in partnership with other organisations, and propose to earmark a sum of £25,000 that can be used towards this.

Wiveliscombe Community Office

This is currently grant funded at £7,500 per annum. The Executive recognise the importance of locality working and this facility, and propose to increase this grant to £15,000 per annum.

Brewhouse

The current funding agreement means that grant for 2008/09 would reduce by £15,000. The Executive propose to delay this grant reduction by a further 12 months to allow the Brewhouse further time to embed their new business plan.

Waste / Recycling

The Executive propose to earmark all contract savings from the Somerset Waste Partnership initiative towards further improvements in recycling.

Flooding

The Executive propose to earmark £3,000 within the Waterways Budget as a contribution towards the Somerset Water Management Partnership.

8.3 NEW INFORMATION ON THE BUDGET GAP

The budget gap position has been reported to all Councillors at various points in the budget setting process. The table below sets out the latest position for information – starting with the gap reported most recently to the Executive (14th January 2008).

	£000	£000
Budget Gap @ 1 November 2007		1,147
MTFP Changes – Good News		
Impact of 07/08 Pay Award	(48)	
HB Admin Subsidy	(42)	
Qtr2 07/08 Car Park Income	(30)	
Estimated 3% Increase in Planning Fees	(15)	
Estimated impact of CSR07	(80)	
Error in Unavoidables/Base Budget	(88)	
Error in Unavoidables - LDF	(35)	
		(338)
MTFP Changes - Bad News		
Qtr 2 07/08 Position on Land Charges	64	
New Unavoidables – Market Site	26	
New Unavoidables – Superannuation	15	
New Unavoidables – Dog Wardens	19	
		124
Budget Gap per 13 /12/ 08 Overview & Scrutiny		933
Further Updates to the Gap as reported Verbally to O&S		
Impact of Draft Local Government Finance Settlement	41	
New Information on Concessionary Travel Costs *	163	
Increased Govt Grant for Homelessness	(10)	
Impact of Finalised Council Tax Base	5	
Impact of Draft Collection Fund Deficit	25	
Changes to Budgets to reflect the move from MTFP projections to actual Budgets	33	
Others	4	
		261
Budget Gap (as per Budget Consultation Packs)		1,194
NEW INFORMATION ON BUDGET GAP		
Additional Income from Market Site	(10)	
Employers pension contributions	(8)	
Estimate of Financial Impact – Job Evaluation	200	
Correction of Error in OMB Budget	(16)	
Car Parks Income – impact of Portfolio Holder decision (subject to Full Council decision in February)	16	
LATEST BUDGET GAP POSITION		1,376

8.4 EXECUTIVE'S DRAFT BUDGET PROPOSALS

Taking into account all of the above information, the draft budget proposals for consideration are as follows:-

	£000	£000
Latest Budget Gap Position		1,376
Savings Delivery Plan Proposals – category 1	(1,134)	
Saving Delivery Plan Proposals – category 2	(101)	
Staffing Impact of Savings Delivery Plan	(36)	
Various minor savings reductions (Publications/Stationery/Training/Travel/ Conference Budgets)	(14)	
Cremation Fees - Increased Income due to £30 fee increase (additional income over the £20 increase already included in savings plan proposals)	(22)	
Continue Vacancy Freeze within Housing (GF) Services	(25)	
Planning Fees - Expected increased income	(73)	
Planning Fees – Introduction of new fee for written advice (see separate report)	(10)	
Licensing Service – increased volume of income	(32)	
Introduce 1.5% Staff Vacancy Factor into 2008/09 budget	(50)	
Project Taunton budget to be funded from external grant income (HPDG)	(30)	
Increase in Pre-Planning Advice Fees (see separate report)	(5)	
Funding of Development Control Budget increase from external grant income	(57)	
New Initiatives		
- Climate Change	25	
- TDBC PCSO	28	
- Sustainable Transport	22	
- Area Working	25	
- Wiveliscombe	8	

- Brewhouse	15	
PROJECTED BUDGET GAP / (SURPLUS)		(90)

As shown above this leaves a budget surplus of £90k as recently reported to the Overview and Scrutiny Board.

9 Overview and Scrutiny Comments

- 9.1 The Overview and Scrutiny Board considered the Executive's draft budget proposals at their meeting on 24 January 2008. The Board made comments on some of the savings and new initiatives but made no formal request for changes to the budget proposals.

10 Proposed General Fund Budget 2008/09

- 10.1 The Executive wishes to present the following proposed budget for 2008/09.

<p>Proposed Total Council Tax Increase = 3.0%</p>
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- 10.2 In addition to a 3% increase in council tax the Executive have also received further information on the budget gap:

- **Concessionary Travel** – the rate by which the bus companies are reimbursed for concessionary fares is to decrease in 2008/09 from 72% to 70%. This is estimated to save the Council £55k per annum.
- **Monkton Heathfield Planning Inquiry** – the estimated costs of the inquiry are thought to be around £55k, the Executive wish to include this within their budget proposals for 2008/09.
- **Other minor changes** – the Council has now received final confirmation of the amounts due from Government on the Revenue Support Grant and the NNDR Cost of Collection Allowance – this gives the Council £2k additional income.
- **Revenue contribution to Capital** – the Executive propose to earmark £15k towards capital funds in 2008/09.

- 10.3 Taking into account a Council Tax increase of 3% and the other items mentioned above, the budget gap has now been fully closed as demonstrated in the table below.

Budget Surplus After Draft Finance Settlement	(90)
New Information/Budget Decisions:	
<ul style="list-style-type: none"> • Concessionary Travel Savings • Monkton Heathfield Planning Inquiry • Minor Budget Changes • Revenue Contribution to Capital 	(55) 55 (2) 15
Council Tax – 3%	77
Budget Gap	0

10.4 **Proposed General Fund Budget 2008/09**

The following table compares the proposed budget with the original budget for the current year. It should be noted that due to technical accounting changes which come into place in 2008/09, and which do not impact on the bottom line of the budget, the table below is not on a directly comparable basis.

	Original Estimate 2007/08 £	Forward Estimate 2008/09 £
Total Spending on Services	15,834,800	15,908,420
Asset Management Revenue Account	(550,740)	0
Loans Fund Principal	(1,144,330)	0
Capital Charges Credit	0	(2,205,700)
Interest payable on Loans	0	380,880
Minimum Revenue Provision	0	280,670
Interest Income	(894,000)	(750,000)
Contribution from G Fund Balances	0	0
AUTHORITY EXPENDITURE	13,245,730	13,614,270
Less: Revenue Support Grant	(1,172,035)	(1,022,665)
Less: Contribution from NNDR Pool	(6,983,855)	(7,346,300)
Surplus/Deficit on Collection Fund	4,830	50,486
Expenditure to be financed by District Council Tax	5,094,670	5,295,791
Divided by Council Tax Base	39,786.35	40,153.07
Council Tax @ Band D	£128.05	£131.89
Cost per week per Band D equivalent	£2.46	£2.54

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

11 General Fund Reserve Position

- 11.1 The 2006/07 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 1.4.07	1,242,161
Less / Amount Used To Support 2007/08 Budget	0
Less / Supplementary Estimates Agreed To Date	(573,410)
	<hr/>
Add repayment to reserves for early retirements granted in recent years	170,702
Add repayment to reserves for new Christmas lights supplementary estimate	4,750
Predicted Balance Before Budget Setting	<hr/> 844,203 <hr/>

11.3 The proposed budget shown in section 10 above does not require the use of reserves to support spending. At the end of 2008/09 the predicted balance on the reserve is £1,013,574.

11.4 The predicted balance at the end of March 2009 represents 3.9 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 £131.89**, an increase of £3.84 (3.0%) on 2007/08.

12.2 This represents an increase of 7.4p pence per week. The Band D taxpayer will receive all the services provided by the Borough Council in 2008/09 at a cost of £2.54 per week.

13. The Future Financial Position of the Council

13.1 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 helps considerably towards providing Members with more reliable forecasts than have been possible in the past.

13.2 The Medium Term Financial Plan (MTFP) provides an indication of the expected budget gap going forward into 2009/10 and this shows in summary the following position:

	2009/10 £m	2010/11 £m	2011/12 £m	2012/13 £m
Expected Budget Requirement	14,571	14,951	15,350	15,795
Financed By:				
External Government Support	8,536	8,721	8,808	8,897
Council tax (increase assumed 4.5% each year)	5,990	6,300	6,627	6,972
Predicted Budget Gap	45	(70)	(85)	(74)

13.3 Members should note that the table above has been prepared on the assumption of a 4.5% increase in Council Tax each year, including 2009/10. Government support is based on the draft figures outlined in section 7 above. The figures above take into account the ongoing impact of all of the Executive's budget proposals and the 2008/09 proposed Council Tax level.

13.4 The MTFP will be refreshed over the summer and reported to Members. In addition the Executive will receive a report in the coming months updating the Council's financial strategy. The objective for the Executive will be to draw up a plan to produce a sustainable budget for the medium term.

14 Taunton Unparished Area

14.1 The estimated expenses chargeable to the non-parished area of Taunton in 2008/09 amounts to £29,190, an increase of 4.75%, and this forms part of the total net expenditure of the Council. The precept in 2007/08 was £27,870.

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

15. Deane DLO

15.1 Detailed budgets for 2008/09 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 modest surplus/break even. In 2006/07 the DLO broke even and it is expected to be in a similar position for 2007/08. 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.

DLO	Expenditure £'000	Income £'000	Surplus/(Deficit) £'000
Building Maintenance	4,033	4,033	0
Highways	743	743	0
Grounds Maintenance	2,621	2,621	0
Cleansing	783	738	(45)
Total	8,180	8,135	(45)

16. Prudential Indicators 2006/07 to 2010/11

16.1 As part of the Prudential Code for Capital Finance there is a requirement for Full Council to approve the indicators as set out below. The Prudential Indicators are important as they detail the expected spend on the capital programme and the expected borrowing requirement for both the General Fund and the Housing Revenue Account. They also set the operational boundaries for both borrowing/investment levels and interest rate exposures for the Council.

PRUDENTIAL INDICATOR	2006/07 £'000	2007/08 £'000	2008/09 £'000	2009/10 £'000	2010/11 £'000
	Estimate	Estimate	Estimate	Estimate	Estimate
Capital Expenditure					
General Fund	£3,279,910	£4,655,110	£3,946,000	£1,566,520	£3,176,740
HRA	£4,115,000	£5,655,700	£5,082,390	£5,265,400	£5,450,030
TOTAL	£7,394,910	£10,310,810	£9,028,390	£6,831,920	£8,626,770
Ratio of financing costs to net revenue stream					
General Fund	-1.91%	-5.48%	0%	0.5%	0.5%
HRA	4.00%	3.93%	3.35%	3.19%	3.05%
Net borrowing requirement					
brought forward 1 April	£5,897,121	£6,633,630	£10,000,000	£12,000,000	£12,000,000
Carried forward 31 March	£6,633,630	£10,000,000	£12,000,000	£12,000,000	£12,000,000
in year borrowing requirement	£736,509	£3,310,623	£2,000,000	£0	£0
Capital Financing Requirement as at 31 March					
General Fund	£7,137,288	£9,394,827	£10,014,827	£10,634,827	£11,254,827
HRA	£14,451,342	£14,451,342	£14,451,342	£14,451,342	£14,451,342
TOTAL	£21,588,630	£23,846,169	£24,466,169	£25,086,169	£25,706,169
Incremental impact of capital investment decisions	£ p	£ p	£ p	£ p	£ p
Increase in council tax (band D)	0.50	0.65	0.65	0.65	0.65
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%

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

17.1 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:

17.2 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 budget gap forecast by the Medium Term Financial Plan (MTFP) was accurate based on the information available at that time. Only changes to the Council's finances which came about later in the budget process as a result of new information ie Job Evaluation, Planning fee income were omitted. This indicates that the MTFP process is able to identify budget pressures earlier, 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.*
- *The MTFP has been reviewed by Corporate Management Team to ensure that only truly unavoidable costs are included in the draft budget.*
- *Current ongoing budget monitoring variations identified in 2007/08 have been incorporated into the budget process for 2008/09, for example Concessionary Travel and Job Evaluation.*
- *The Council has a Financial Strategy that together with the Profile of Services helps the Council ensure that resources are directed towards priority services and helps 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 (Overview and Scrutiny Board papers dated October 2007, November 2007, December 2007 and January 2008).*
- *All Councillors were briefed on the financial position of the Council and the outline proposals to close the budget gap (Budget Setting Progress Pack – December 2007), 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 2008/09:

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 – 3% for 2008/09, 3% thereafter. Insurance - 3% (based on current market conditions) Utilities - based upon known contract increases</i>
<i>Income Levels</i>	<i>Income projections are based on realistic assumptions and the most recent Government guidance on fee levels. They also take into account historic trends and 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 2007/08.</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. The financial impact of the Job Evaluation process has been included in salary estimates.</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 Council, for example the creation of Southwest One – the negotiated fixed price of support services has been included in the budget. Savings from the County wide joint Waste Contract, have been earmarked for an enhanced waste/recycling service.</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</i>

	<i>performance in both previous and current years is taken into account.</i>
<i>Choices available to Members</i>	<i>All Members have been presented with extensive options for closing the budget gap through the Savings Delivery Plan process. The Core Managers Group and Corporate Management Team has also rigorously examined these.</i>
<i>Fit with the Corporate Strategy</i>	<i>The Executive have reviewed the Profile of Services as a result 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 section10 takes into account the future financial pressures faced by the Council. Effective financial planning for the medium term is in place. The budget strategy shared with both Overview and Scrutiny and the Executive in the autumn accepted that a fundamental review of the Core Council was required in order to put the Council on a more sustainable financial footing. To this end, there are some one off budget savings identified in the 2008/09 budget proposals.</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 2007/08 and their results have informed the setting of the 2008/09 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.</i>

17.3 *The overall effect of this methodology produces a budget and financial forecast, which is robust, challenging and also delivers the priorities of the Council.*

17.4 *The MTFP will be refreshed over the summer, alongside the Core Council review, to reflect the longer-term sustainable financial position.*

17.5 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.

- 17.6 The predicted General Fund Reserve position is set out in section 11. No monies are required from reserves to support the 2008/09 budget. The predicted balance on this reserve, having set the 2008/09 budget is £844K, and will move to £1,013k by the end of 2008/09.
- 17.7 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.
- 17.8 The movement on the General Fund reserve during 2007/08 is as follows:

Item	£000	£000
<i>Balance Brought Forward 1 April 2007</i>		1,242
<i>Supplementary Estimates Granted during 2007/08:</i>		
<i>Recycling Services Pilot scheme</i>	(80)	
<i>ISIS project costs</i>	(65)	
<i>LGR referendum funding</i>	(60)	
<i>CMT/Legal/Democratic services restructure</i>	(168)	
<i>Southwest One transformation projects</i>	(200)	
Total Supplementary Estimates		(573)
<i>Other Movements 2007/08:</i>		
<i>New Christmas lights Contribution to GF Reserve</i>	4	
<i>Repayment of Reserves for one off staffing restructure costs incurred in previous years</i>	171	
Total		175
Estimated Balance @ 31 March 2008		844

- 17.9 In paragraph 2.3 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.
- 17.10 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 2007/08 indicates a predicted overspend of £219k as at the end of September 2007, this is likely to increase at Q3 due to increased costs associated with the Job Evaluation. Progress has been made in reducing the expected overspend from the level anticipated back in the spring through a recruitment freeze 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 additional cost of Job Evaluation appeals (£200k) has been built into the 2007/08 budget.

- *The cost of the concessionary travel scheme has risen during recent years. The increased cost of this service has already been highlighted in the regular Performance reports to the Strategy and Performance Board and is the subject of a separate report on this agenda. The budget for this service is based on the best information available at present and increases for the expansion of the service into a national scheme, based on Government projections, have been included in the 2008/09 budget. However, this remains an area of high risk.*
- *The funding regime for housing benefit and council tax benefit subsidy has remained constant for 2008/09. 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 in excess of £23m – 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 through reduced interest receipts. 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 has been implementing the Job Evaluation scheme for its staff. The final cost of this exercise has been included in the 2008/09 budget, however the process could give rise to equal pay claims. This remains an area of risk as the financial impact is not known.*
- *The funding of the Southwest One transformation projects has been initially financed by prudential borrowing. The strategy is that this debt will be repaid once the procurement strategy of the council, in partnership with Southwest One, begins to deliver savings. This is dependant on cashable savings being identified and whilst the Council is confident of this strategy and has taken a cautious approach on the level of savings possible, this remains an area of risk.*

17.11 Where reserves are used to fund supplementary estimates they are generally repaid from the ongoing savings over the following years. Whilst reserves are lower at present than when compared to previous years the MTFP forecasts a gradual increase in the GF reserve over the medium term. This is important, as it shows no overall decline in the Council's financial standing. This is key to maintaining a good "Use of Resources" assessment by the Audit Commission which also counts heavily towards our CPA/CAA assessment. The table below forecasts the movement on the General Fund reserve over the next 4 years.

	2008/09 £000	2009/10 £000	2010/11 £000	2011/12 £000
<i>Forecast balance 1 April</i>	844	1,013	1,163	1,463
<i>Repayments to reserves</i>	169	150	301	101
<i>Use of reserves</i>	0	0	0	0
Forecast balance 31 March	1,013	1,163	1,463	1,564

17.12 *In making my recommendation below, I have considered the assumptions underpinning the 2008/09 budget (outlined in section 17.2 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.*

17.13 *The predicted balance on the General Fund Reserve at the end of 2008/09 represents 3.9 weeks worth of authority expenditure, or 7.2% of this Council's budget requirement.*

17.14 ***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 2008/09 budget sufficiently robust.***

18. Recommendation

18.1 The Executive is asked to recommend to Full Council the budget for General Fund services for 2008/09 as outlined above. In particular the Executive is requested to recommend to Full Council to:

a) Approve the transfer for any potential underspend in 2007/08 back to General Fund reserves,

b) Approve the proposed 2008/09 budget, being Authority expenditure of £13,614,270 and Special Expenses of £29,190 in accordance with the Local Government Act 1992,

c) Note the predicted General Fund Reserve balance at 31 March 2008 of £844,203.

d) Approve the Prudential Indicators for 2008/09 as set out in section 16 of this report.

e) Note the forecast budget position for 2009/10 onwards as outlined in section 13 of this report.

Background Papers

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

Overview and Scrutiny Board 4/10/07 – General Fund Budget Setting 2008/09 (report of the Financial Services Manager).

Overview and Scrutiny Board 1/11/07 – Budget Strategy 2008/09 (report of the Strategic Director)

Overview and Scrutiny Board 13/12/07 – Budget Strategy 2008/09 and Savings Delivery Plans (report of the Chief Executive and Strategic Director)

Christmas Budget Consultation Pack 2007 (green folder)

Overview and Scrutiny Board 24/1/08 – General Fund Revenue Estimates 2008/09 (report of the Financial Services Manager)

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APPENDIX A

Profile of Services and Future Investment by TDBC (2008/09)

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	✓		
Sustainability	✓		
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		✓	
Flooding and drainage works		✓	
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			✓
Parks and Open Spaces			✓
Private Sector Housing (except enabling)			✓
Property (Deane Building Design Group/Valuation etc)			✓
Revenues and Benefits			✓

COUNCIL TAX COMPARISONS

AUTHORITY	2006/07 Band D Council Tax (exc Parishes)	2007/08 Band D Council Tax (exc Parishes)	Year On Year Percentage Increase (%)
Somerset Districts			
Mendip	127.18	130.87	2.9
Sedgemoor	112.21	116.15	3.5
Taunton Deane	125.54	128.05	2.0
South Somerset	131.89	135.85	3.0
West Somerset	114.00	117.14	2.8
Devon Districts			
East Devon	109.45	113.16	3.3
Exeter	106.93	110.03	2.9
Mid Devon	160.23	167.60	4.6
North Devon	147.10	150.77	2.5
South Hams	120.36	125.04	3.9
Teignbridge	132.07	135.64	2.7
Torridge	128.13	134.52	5.0
West Devon	165.89	174.01	4.9
Dorset Districts			
Christchurch	148.80	156.18	5.0
East Dorset	162.00	169.94	4.9
North Dorset	88.00	92.40	5.0
Purbeck	138.60	145.39	4.9
West Dorset	113.40	116.10	2.4
Weymouth & Portland	230.90	241.17	4.5
Cornwall Districts			
Caradon	163.15	171.31	5.0
Carrick	140.81	146.31	3.9
Kerrier	177.95	182.38	2.5
North Cornwall	147.00	154.06	4.8
Penwith	128.38	131.54	2.5
Restormel	145.56	151.96	4.4
Other Near Neighbours			
Gloucester	158.29	163.05	3.0
North Somerset	1,048.80	1,080.26	3.0
BANES	1,038.41	1,089.83	5.0
SCC	986.00	963.39*	N/A

* reflects the creation of the new Devon & Somerset Fire Authority in 2007/08 therefore comparative figures are not available.

Source: CIPFA Council Tax Demands and Precepts Statistics 2007/08