

WYRE FOREST DISTRICT COUNCIL

CABINET

MEETING ON 21ST DECEMBER, 2006

THREE YEAR BUDGET & POLICY FRAMEWORK 2007/2010

AN OPEN ITEM	
COMMUNITY STRATEGY THEME:	-
CORPORATE THEME:	Improving Corporacy & Performance
KEY PRIORITY:	Financial & Asset Management
STRATEGY:	Budget & Policy Framework
CABINET MEMBER:	Councillor John Campion
RESPONSIBLE OFFICER:	Head of Financial Services
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Appendix 1	Base Budget Projection 2007/2008
Appendix 2	Working Balances, Reserves and Provisions
Appendix 3	Finance Strategy
Appendix 4	Consultation Strategy

1. PURPOSE

- 1.1 In accordance with the Council's Budget and Policy Framework Procedure Rules to provide the Cabinet with financial information in order to make proposals for the Budget Strategy for the period 2007/2010.

2. RECOMMENDATIONS

The Cabinet is asked to **RECOMMEND** :-

- 2.1 The endorsement of the Council's updated Medium Term Finance Strategy. (Appendix 3)
- 2.2 The level of net expenditure and resultant Council Tax for 2007/2010.
- 2.3 Cabinet Proposals – taking into account the impact on the Council's Capital and Revenue Budgets for 2007/2010.
- 2.4 Income Service Options, including appropriate revision of fees and charges and the impact on the Council's Revenue Budget for 2007/2010, as shown in separate report to this meeting of the Cabinet.

- 2.5 **The endorsement of the Council's policy relating to Working Balances, Reserves and Provisions as detailed in Appendix 2 and note the availability of Resources and Provisions outlined in paragraph 7 and Appendix 2.**
- 2.6 **A consultation exercise for the budget process in accordance with the Council's Budget Consultation Strategy. (Paragraph 12 and Appendix 4 refers).**
- 2.7 **Endorsement of the Council's efficiency targets as detailed in a separate report to this meeting of the Cabinet.**
- 2.8 **Priorities for 2007/2010 as detailed in a separate report to this meeting of the Cabinet.**

3. KEY ISSUES

The Council will have to take into account the following factors in setting the 2007/2010 Budget and future years Budget Projections :-

- 3.1 The projected Base Budget net expenditure for 2007/2008 is estimated to be £14,802,290 (Appendix 1). This is £730,200 more than currently estimated to be raised from Council Tax, Business Rate Grant and Revenue Support Grant. These calculations are based on base budget estimates, and an assumed 2.5% Council Tax increase in accordance with the Council's Finance Strategy.
- 3.2 The Provisional Local Government Finance Settlement for 2007/2008 was announced on 28th November 2006. Wyre Forest will receive Formula Grant of £7,687,000, an increase of 5.5%. This amount is exactly the same as proposed by the Government in last years Settlement.
- 3.3 Income Service Options which propose increases to fees and charges are the subject of a separate reports to this meeting of the Cabinet.
- 3.4 The Council has identified General Reserves of £3.8 million to meet the projected Budget deficit in 2006/2010 and the cost of any approved Cabinet Proposals. See Appendix 2 for Allocation of Reserves.
- 3.5 The Government have in place Reserve Capping Powers to limit excessive increases in Council Tax. The Local Government Minister has stated that following last year's national average 5.0% increase, he will continue to cap councils in a targeted way who levy unreasonably large council tax rises. The Government are expecting Local Authorities to levy below 5% increases.

Council will have to give careful consideration to the level of increase for 2007/2008 in the light of the above Government advice.

- 3.6 The Council's reliance on the use of General Reserves to bridge the gap between Expenditure and Income in each year may not be sustainable in the longer term. The Council in determining a new three year Budget Strategy needs to ensure that any increase in the Base Budget expenditure is sustainable with the aim of ensuring equilibrium between expenditure and income in the longer term when the Council's Reserves are diminished.
- 3.7 All Local Authorities are required to submit to the Department of Communities and Local Government (DCLG) for the years 2005/2006 to 2007/2008 a series of efficiency statements about targets and achievements. The Efficiency Targets - Cashable and Non Cashable 2006/2007 - 2007/2008 for Wyre Forest are shown in a separate report to this meeting of the Cabinet.

4. THE BASE BUDGET 2005-2009

- 4.1 Overall the Council's Summary Budget and individual divisional summaries are enclosed as Appendix 1.
- 4.2 A copy of the detailed Budget 2006/2010 is available in the Members Lounge and can be forwarded to members electronically on request.
- 4.3 Inflation has been included in the Base Budget for 2007/2010 onwards as follows :-

	<u>2007/2008</u>	<u>2008/2009</u>	<u>2009/2010</u>
	%	%	%
Payroll	3.00	2.00	2.00
Council's Business Rates and Other Contractual Commitments	3.00	3.00	3.00
Energy Costs	5.00	Nil	Nil
Other (Efficiency Saving)	Nil	Nil	Nil

- 4.4 The Three Yearly Actuarial Valuation of the Pension Fund was implemented with effect from 1st April 2005. As a result, the Council's Employers Pension Contribution will increase from 24.5% to 29.2%, to be phased in over a period of 6 years (increase of 0.8% p.a.). This equates to a yearly cumulative increase in the Base Budget of approximately £75,000 p.a. for these six years.

These additional costs are included in Base Budget held under the Strategy Performance Units Corporate Costs Budget.

5. LOCAL AUTHORITY REVENUE FINANCE SETTLEMENT FOR 2006/2008

- 5.1 The key points of the Minister of State for Local Government, Phil Woolas' announcement on 28th November 2006, of the provisional Local Government Finance Settlement for 2007/2008, are as follows :-

- a) Nationally in cash terms a 4.9% increase for 2007/2008 over 2006/2007
- b) The formula grant system to calculate each authority's grant is composed of four blocks :-
 - A relative needs block worked out through Relative Needs Formula (RNF). The RNF are equivalent to formula spending shares in the old system. The formula is based on a per client amount with top-ups to reflect local circumstances, including deprivation and area costs;
 - A relative resource amount, to take account of different capacity to raise income from council tax. This is a negative amount;
 - A central allocation amount, which is allocated on a per capita basis.
 - A floor damping block to ensure all authorities receive a minimum grant increase. For Districts this is 2.7% for 2007/2008.
- c) The National Non-domestic Rates (NNDR) poundage will increase by 2.5% and therefore the NNDR poundage (the multiplier) for England for 2007/2008 is 44.4p compared to 43.3p in 2006/2007.
- g) The Government have issued no guidance as to their anticipated level of increase for Council Tax for 2007/2008, however, the Minister in his statement said; "we expect to see an average council tax increase in 2007/2008 of less than 5%. We will not allow excessive council tax increases".

5.2 For Wyre Forest, a summary of the impact of these proposals is as follows :-

The provisional Formula Grant has been calculated as follows :-

	2007/2008 £m
Relative Needs Amount	3.308
Relative Resource Amount	- 2.095
Central Allocation Amount	6.679
Floor Damping	<u>- 0.205</u>
Total Formula Grant	<u>£7.687m</u>

Wyre Forest will receive for 2007/2008 an above inflation increase of £400,000 (5.5%) with Total Formula Grant of £7.687 million compared with £7.287 million for 2006/2007.

5.3 The Finance Settlement is provisional at this stage with Local Authorities able to comment on the proposals to the Department of Communities and Local Government by the 15th January 2007. The Final Finance Settlement will be published in early February 2006.

The Cabinet at its meeting on 15th February 2007 will need to consider this matter further if there are any significant changes to the provisional proposals.

6. COUNCIL TAX BASE

- 6.1 The calculation of the Council Tax Base for tax setting is the subject of a separate report to this Cabinet. It is made by means of equating the bands of all properties shown in the valuation list for the Billing Authority Area into Band 'D' equivalents. An allowance must then be made for changes in the Valuation List, successful appeals against banding levels, new properties, further exemptions, further single person discounts, further disablement relief, variation in numbers of void properties and provision for bad debts.

The Tax Base for Wyre Forest District Council for 2007/2008 after allowing for the above items is 34535 (34310 in 2006/2007). The Tax Base includes the reduced discount for Second Homes and Empty Property as agreed by Council on 3rd December, 2003.

7. WORKING BALANCE, RESERVES AND PROVISIONS

- 7.1 The Council has adopted the general principles of the CIPFA guidance on Local Authority Reserves and Balances.
- 7.2 The following Reserves are available to assist the Council in meeting General Fund Expenditure 2007/2010 as part of the Three Year Financial Strategy :-

Total General Reserves 1 st April 2006	£ 3,839,080
Contribution from Reserves (2006/07 Revised Budget)	<u>980,710</u>
Total Reserves Available 1 st April 2007	<u>£2,858,370</u>

- 7.3 Having applied General Reserves to meet Budget deficits in 2006/2010, £508,850 is available for use by the Council as part of its Finance Strategy.

8. COLLECTION FUND SURPLUS

- 8.1 A Collection Fund Surplus of £47,110 (£50,180 in 2006/2007) equivalent to an average reduction in Council Tax of £1.36 Band D equivalent (£1.46 in 2006/2007) will reduce the Council's net levy from the Collection Fund in 2007/2008. The surplus is mainly due to the efficient collection of Council Tax Arrears outstanding at 31st March 2006, and collected during 2006/2007.

9. POLICY PANEL OPTIONS/INCOME SERVICE OPTIONS

9.1 Policy Panel Options – As at 31st October 2006, there are no Policy Panel Options to be included in this Budget Cycle. Any subsequent proposals will be reported directly to Cabinet on 21st December 2006 for consideration.

9.2 Income Service Options – Details are also contained in a separate report to the Cabinet, these represent proposals to increase fees and charges in line with inflation or slightly above (3% is the Council's target figure for inflation for 2007/2008). Where Services are subsidised, charges need to be reviewed with a view to reducing or maintaining subsidy at existing levels.

10. CAPITALISATION OF REVENUE EXPENDITURE

10.1 The Head of Financial Services has identified expenditure within the Revenue Budget that qualifies in order to generate additional Revenue Resources. The Head of Financial Services will advise as appropriate if the Council wishes to proceed on this basis.

11. FINANCE STRATEGY

11.1 The Council, have approved a Medium Term Finance Strategy aimed at maintaining a sound financial structure for the future.

11.2 The Key Objectives are as follows :-

- To reduce expenditure to a sustainable level;
- A balanced budget within resources available identified into the medium term;
- To manage the Council's assets in order to achieve maximum efficiency;
- To manage the Council's investments efficiently and effectively to maximise interest generation;
- To make realistic provisions for inflation, pensions, committed growth, legislative requirements whilst securing the Council's financial position;
- To set aside any available balances initially to be used primarily for "one-offs" (eg investment, service or corporate growth) and/or depending on the amount of balances, used in a phased manner beyond one year to avoid fluctuations in the level of the Council Tax;
- To achieve, wherever possible, continuous improvement from Policy Reviews;
- To ensure the early recognition of emerging issues, associated assessment of risk and appropriate management of the budget process in relation to the

assessment of the degree of risk;

- To direct available financial resources in line with approved service priorities and reallocate from low/nil priority areas in line with Council Policy to maximise achievement of approved Key Commitments.
- The Council should aim to keep its Council Tax to a maximum increase of 2½% .

11.3 An updated Finance Strategy is enclosed as Appendix 3.

12. BUDGET CONSULTATION STRATEGY

12.1 Following the publication of Council Tax Consultation Guidelines for Local Authorities, Council approved a Budget Consultation Strategy and is enclosed as Appendix 4.

12.2 The Cabinet need to recommend a course of action for consultation on the 2007/2008 Budget based on the approved Strategy.

13. RESERVE CAPPING POWERS TO LIMIT EXCESSIVE INCREASE IN COUNCIL TAX

13.1 Local Government Minister, Phil Woolas, has made it clear given the substantial investment in Local Government, they expect Local Authority's to respond positively as far as Council Tax is concerned.. The Government expects authorities to deliver an average Council Tax increase of less than 5% in 2007/2008, and that it is prepared to take action if that proves necessary. The Government will not allow excessive Council Tax increases.

13.2 The Reserve Capping Powers are complex and flexible comprising :-

- a) In-year Designation i.e. the Government will fix level of Council Tax and re-billing could be required.
- b) Following year Designation i.e. next years budget fixed by Government.
- c) Nomination – this is a warning that if a council does not rein in its spending, it will be capped in a future year.

13.3 The Council will have to consider carefully the level of Council Tax Increase for Wyre Forest in the light of the above advice and any subsequent information.

14. BUDGET RISK MANAGEMENT

14.1 The Accounts and Audit Regulations 2003 and the New CPA 2005 - Use of Resources, require Local Authorities to fully consider and manage Risk as part of the Budget process. A separate report is presented to this meeting of the Cabinet.

15. LOCAL GOVERNMENT ACT 2003

15.1 The Local Government Act 2003 (Sections 25-29) places duties on Local Authorities on how they set and monitor budgets.

15.2 Sections 25-27 requires the Head of Financial Services to report on the robustness of the estimates and the adequacy of its proposed financial reserves. This will be reported to Council on 28th February 2007.

15.3 Section 28 places a statutory duty on an authority to review its budget from time to time during the year. If the Budget Monitoring Report shows that there has been a deterioration in the Authority's financial position, the authority must take such action as it concludes necessary. The Council currently reviews the Budget on a quarterly basis and this practice will continue.

16. CONSULTEES

16.1 Leader of the Council, Cabinet Member for Finance & Corporate Affairs and Corporate Management Team

17. BACKGROUND PAPERS

17.1 Local Government Finance Settlement 28th November 2006.