

Subject: Revenue Budget & Council Tax
2009/10

Status: For Publication

Report to: Council

Date: 26th February 2009

Report of: Head of Financial Services

Portfolio

Holder: Finance and Resources

Key Decision: No – Recommendation to Council

Forward Plan General Exception Special Urgency

1. PURPOSE OF REPORT

1.1 The Purpose of the report is to enable Cabinet to recommend to Council the Revenue Budget and level of Council Tax for 2009/10

2. CORPORATE PRIORITIES

2.1 The matters discussed in this report impact directly on the following corporate priorities and associated corporate objective.

- Delivering Quality Services to Customers (Customers, Improvement)
- Delivering Regeneration across the Borough (Economy, Housing)
- Keeping Our Borough Clean and Green (Environment)
- Promoting Rossendale as a cracking place to live and visit (Economy)
- Improving health and well being across the Borough (Health, Housing)
- Well Managed Council (Improvement, Community Network)

3. RISK ASSESSMENT IMPLICATIONS

3.1 All the issues raised and the recommendation(s) in this report involve risk considerations as set out below:

- As part of the final recommendations to Council Section 25 of the Local Government Act 2003 places a requirement on the Chief Financial Officer of each local authority (in Rossendale this is the Head of Financial Services) to advise councillors during the budget process on “the robustness of the estimates made for the purposes of the budget calculations and the adequacy of the proposed financial reserves”. This provision is designed to ensure that councillors have information which will support responsible financial management over the longer term. This is attached at Appendix 1 and includes an estimate of potential financial risk exposure together with measures to mitigate these risks.

4. BACKGROUND AND OPTIONS

This report is the culmination of the Council’s fourth budget process under the Cabinet system. The report represents the considerations of Cabinet for recommendation to the Council

4.1.1 POLICY CONTEXT

4.1.1 The Policy Context for the budget sets out the key things the Council is trying to achieve through the use of its financial resources. The policy context is reflected in the corporate priorities set out paragraph 2.1 above and the continuation of the theme of Pride in Rossendale , the key areas of which are:

- Pride in our Environment
- Pride in our Service People
- Pride in Rossendale’s Quality of Life
- A renewed sense of Civic Pride

4.2 FINANCIAL CONTEXT

4.2.1 The financial context for preparation of the budget is set out in the Medium Term Financial Strategy (MTFS) a revision of which appears for consideration elsewhere in the agenda. The key elements of this remain:-

- A planning assumption of Council tax increases of 3% in order over time to bring taxation levels closer to the average
- No use of general reserves to support recurrent expenditure

4.2.2 In addition to this there remains a clear statement from the Department for Communities and Local Government (DCLG) that Council Tax increases should be significantly below 5%

4,2,3 Events in the wider economy also form part of the financial context within which the Council is coming to set this budget. As set out elsewhere in this report the recession has had a negative effect on a range of budgets ranging from interest receipts to income from land charges. In addition the actions taken by central government to address the impact of the recession and to stabilise the financial system have had a significant effect on the public finances. While the 2010 Spending Review has not yet been completed all available informed analysis indicates that there will need to be a very significant tightening of public

expenditure in order to restore financial balance. Given the importance of the longer term sustainability of any financial decisions taken by the Council this represents an important element of the financial context facing the Council going forward.

4.3 REVENUE SUPPORT GRANT SETTLEMENT

4.3.1 The final Revenue Support Grant (RSG) and Redistributed Business Rates (RBR) Settlement was confirmed on 21st January 2009. There is no change from the previous figures for Rossendale as shown below:-

4.3.2

	09/10 £000	10/11 £000
RSG & RBR	6,239	6,270
Underlying % increase	0.5%	0.5%

4.3.2 As previously reported the 3 year settlement was disappointing, although not untypical for district councils, Rossendale did receive the joint lowest settlement in Lancashire and therefore will require the maintenance of a strong focus on the opportunities for further efficiency savings and alternative sources of income over the remainder of the planning period. Attention now focuses on the next three tier settlement commencing April 2011. We have reflected a pessimistic outlook in the revision of the MTFs, given the outlook for the public finances indicated above. In addition it should be borne in mind that District Councils are again likely to receive poorer future settlements than upper tier councils in order to protect education and social services functions.

4.4 THE COST OF MAINTAINING CURRENT SERVICE LEVELS

4.4.1 The table below summarises the cost of meeting current service levels:

	£000
2008/09 Budget	11,503
Non Recurrent Expenditure	28
2008/09 Baseline	11,530
Pay Award / Job Evaluation / increments	288
Other Inflation	76
Sundry Savings	(914)
Technical / Volume Changes	573
2009/10 Cost of current business	11,553

4.4.2 Overall this represents an increase in net expenditure of 0.4% and would demand a Council Tax increase less than 1% being well inside the Councils' MTFS and DCLG guidelines.

4.4.3 Clearly from the above, though the Council has been faced with a number of cost pressures namely: salaries, inflation, technical and volume changes it has nevertheless managed to identify £914k of efficiencies, amongst other these have been achieved by:

- Bringing ICT back in-house
- Staff reorganisations and restructures
- Refuse and Waste collection efficiencies

4.4.4 These savings represent a very significant over achievement of the targets set by Government for the Council over the spending review period as illustrated in the table below:

	2008/09 £000	2009/10 £000
Government Target	463	941
Savings Achievement	727	1,402
Over /(-) under achievement	264	461

4.4.5 Under new rules on the presentation of efficiency information on the face of the council tax bill the Council will be showing that it has achieved savings equivalent to 4.1% of 2007/08 spend, being £34 Per Band D property in Rossendale.

4.4.6 In order to bring the Budget in line with the Councils MTFS the Cabinet has identified a net £173k of potential additional areas for investment less some

further savings. The savings and investments to be recommended are attached to this report at Appendix 2.

- 4.4.7 The Council and Lancashire County Council (LCC) continue to support the work of the Local Strategic Partnership by funding raised through council tax generated from second homes. The budget for 2009/08 assumes a contribution of an estimated £40,700 and £8,950 respectively from LCC and Council.

4.5 CONSULTATION

- 4.5.1 This is the fourth year in which the Council has consulted on options available within the budget. The consultation process has followed the agreed budget consultation guidelines a copy of which accompanied the consultation documentation on the Council's website. This year consultation was dominated by the option proposals in regard to Leisure facilities. Budget presentations and dedicated debate has occurred at: Lancashire Local, the 4 Neighbourhood Forums and 3 specially arranged public engagement events.
- 4.5.2 The underlying themes surrounding the Leisure options will be reported separately to Members

4.6 SAVING, INVESTING AND TAXATION

- 4.6.1 Any budget needs to strike a balance between saving, investing and taxation. The 2009/10 Budget Proposals for Consultations detailed the resources available and the areas of cost pressure being faced by the Council. The intention of the budget process is to allow the Council to both continue its improvement journey and to move the level of Council Tax in Rossendale closer to the average.
- 4.6.2 It is therefore proposed to implement the savings identified by Cabinet (Appendix 2).
- 4.6.3 It is also proposed to implement all the proposals to invest and improve services across the Borough (Appendix 2).
- 4.6.4 Without pre-empting any Member decision and as a matter of prudence it is proposed to cap the grant payable in relation to leisure to 2008/09 levels and set aside a contingency of £50k, for amongst other things transitional costs, should this be required in relation to the option proposals debated by Cabinet on 21st January 2009. Final decision regarding options for leisure will be made by Full Council 26th February 2009. Appendix 1 identifies how any further transition costs will be funded, for approval by Full Council 26th February 2009, should they be necessary.
- 4.6.5 The cost of continuing business, taken together with the new investments and savings proposals produces a budget requirement of £11,727k

- 4.6.6 The level of Council Tax is a consequence of the other elements of the budget, the cost of current service levels, saving and investing. The amount to be funded from Council Tax is therefore £5,488k. In recommending a balance between these we have been conscious of the relatively high level of Rossendale's element of the Council Tax bill, when compared to other districts.
- 4.6.7 The proposals alone give rise of a Council Tax at Band D of £253.40 representing an increase of 2.9%. This should be compared with the September Retail Prices Index of 5.0% which is the basis for the April 2008 increase in pensions and other benefits. This proposal has been achieved without any recourse to reserves to reduce the Council Tax and meets the aspiration set out in the Financial Strategy of bringing Rossendale tax closer to the average. However, it must be remembered that the Rossendale element is only about 16% of the total bill. The total bill will increase by 3.0% (3.1% Whitworth) now that all precepts from other authorities have been received. This is based on Lancashire County Council's Cabinet recommendation of 2.9%, Police Authority of 4.5% , Fire at 3.74% and Whitworth 4.52% (see Council Tax band summary Appendix 5)

COMMENTS FROM STATUTORY OFFICERS:

5. SECTION 151 OFFICER

- 5.1 Financial matters are dealt with above
- 5.2 The Report Under s25 of the Local Government Act 2000, as to the robustness of the budget and adequacy of reserves can be found at Appendix 1

6. MONITORING OFFICER

- 6.1 Unless specifically commented upon within the reports there are no matters arising.

7. HEAD OF PEOPLE AND ORGANISATIONAL DEVELOPMENT (ON BEHALF OF THE HEAD OF PAID SERVICE)

- 7.1 Unless specifically commented upon within the report there are no matters arising.

8. CONCLUSION

- 8.1 That Council Tax increase of 2.9% resulting on a Band D rate of £253.40 produces a balanced and manageable budget for 2009/10

9. RECOMMENDATION(S)

- 9.1 See Appendix 3 (NB – Due to the technical nature of the recommendations a separate Appendix has been included. An explanation of the Council Tax setting resolution is also included at Appendix 4.

9.2 Members recommend as part of the Medium Term Financial Strategy the proposed options to mitigate risk, in particular, those regarding Leisure and the potential financing of transitional costs and the current deficit within Rossendale Leisure Trust's balance sheet.

10. CONSULTATION CARRIED OUT

10.1 See above

10.2 As per budget consultation guidelines

10.3 Overview and Scrutiny

11. EQUALITY IMPACT ASSESSMENT

Is an Equality Impact Assessment required Yes / No
Nb – Yes, specifically in relation to Leisure options

Is an Equality Impact Assessment attached Yes / No

12. BIODIVERSITY IMPACT ASSESSMENT

Is a Biodiversity Impact Assessment required Yes / No

Is a Biodiversity Impact Assessment attached Yes / No

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Background Papers	
Document	Place of Inspection
Budget Consultation / Presentation Papers & Working Papers	Website / Finance Office