

**Subject:** Revenue Budget & Council Tax  
2007/08

**Status:** For Publication

**Report to:** Council

**Date:** 28<sup>th</sup> February 2007

**Report of:** Head of Financial Services

**Portfolio**

**Holder:** Finance & Risk Management

**Key Decision:**

YES

NO/YES (Please delete)

Forward Plan  
*Relevant Box*

General Exception

Special Urgency

"X" In

**1. PURPOSE OF REPORT**

1.1 The Purpose of the report is to enable Cabinet to recommend to Full Council the Revenue Budget and level of Council Tax for 2007/08

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**2. CORPORATE PRIORITIES**

2.1 The matters discussed in this report are linked to and support the following corporate priorities:

- Financial Management: *embedding financial management throughout the organisation.*

2.2 In addition the budget consultation has proposed the emerging priorities to which the budget presented have been linked to.

**3. RISK ASSESSMENT IMPLICATIONS**

3.1 Members should consider the budget consultation document which highlighted the areas of risk, the significant areas being those revenue budgets which are linked to demand driven constraints (eg: Housing Benefit and Concessionary travel costs)

3.2 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. The Head of Financial Services report, previously presented to Cabinet, is attached at Appendix 5.

- 3.3 In September 2006 Council entered into a strategic partnership with Capita for the provision of Revenues, Housing Benefit and the One Stop Shop management. The agreement included a performance reward of a maximum £25k per annum. Funding for this potential payment will be made using an earmarked provision to be funded from the collection fund surplus estimated to be £64k. This is reflected in the Medium Term Financial Strategy which Members will approve separately.

## **4. BACKGROUND AND OPTIONS**

This report is the culmination of the Council's second budget process under a formal Cabinet system. The report represents the considerations of Cabinet for recommendation to the Full 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. As part of the consultation process on the budget views were sought on revised priorities, which are discussed more fully elsewhere on the agenda, but are set out in summary below:-

- Delivering quality services to our customers.
- Delivering regeneration across the Borough.
- Keeping our Borough clean and green.
- Promoting Rossendale as a place to live and visit..
- Improving health and well being across the Borough

#### **Enabled by:**

- Strong financial management and the delivery of value for money services..
- Equipping Councillors to fulfil their leadership role in the community.
- Effective Human Resource Management and maintaining a workforce with the skills to deliver the priorities for the Borough.

4.1.2 These revisions reflect the next stage of the Council's improvement journey, continuing to focus very much on service delivery but also now influencing others in the overall quality of life for people in the Borough. .

4.1.2 These emerging priorities are reported separately on this agenda for consideration and approval by Full Council.

4.1.3 In addition the 2007/08 Budget Consultation and a separate report to Cabinet proposed the removal of discretionary relief for Council Tax on both empty unfurnished and furnished property. A briefing note is attached at Appendix 7. Recommendations on these restrictions are made at Appendix 1, paragraph 5.

## **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 are:-

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

4.2.2 In addition to this there is the clear statement from the Department for Communities and Local Government (DCLG) that Council Tax increases in excess of 5% will be subject to capping.

## **4.3 REVENUE SUPPORT GRANT SETTLEMENT**

4.3.1 The final Revenue Support Grant Settlement was confirmed on 18th January 2007. There was little change from the previous figures for Rossendale as shown below:-

	<b>07/08 £</b>
<b>RSG</b>	877,885
<b>NNDR</b>	5,231,090
<b>Total Formula Grant</b>	6,108,975

4.3.3. Unlike last year we do not know the settlement figures for future years. These are expected sometime in the autumn and are expected to provide 3 year funding estimate.

## **4.4 THE COST OF MAINTAINING CURRENT SERVICE LEVELS**

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

	<b>£000</b>
<b>Budget Requirement for 2006/07</b>	<b>10,806</b>
Inflation	310
Income, Technical and Volume Changes	510
Capital Financing and Interest	(235)
<b>Cost of Continuing Current Services</b>	<b>11,391</b>

4.4.2 Overall this represents an increase in net expenditure of 5.4% and would demand a Council Tax increase in excess of 5% being outside the Councils' MTFS and DCLG guidelines.

4.4.3 In order to bring the Budget in line with the Councils MTFS the budget consultations ("2007/08 Budget Proposals for Consultation - Appendix 5") identified £209k of potential savings allowing a Council Tax increase of 3% and headroom of £22k. The savings identified are attached to this report at Appendix 2.

## 4.5 CONSULTATION

4.5.1 This is the second year in which the Council has consulted on the detailed options available within the budget. The formal consultation process ended on 12<sup>th</sup> February 2007 - all responses have been made available to members. Responses have been received from:-

	Number
Individuals	3
Partner Organisations	2
Representative Bodies	1
Total	6

4.5.2 The majority of responses comment on matters of Street Scene & Liveability and in particular the "Clean and Green" agenda.

4.5.3 In addition to public consultation the Overview and Scrutiny Committee considered the options published for consultation which the Chair fed back to Cabinet.

## 4.6 SAVING, INVESTING AND TAXATION

4.6.1 Any budget needs to strike a balance between saving, investing and taxation. The 2007/08 Budget Proposal for Consultations detailed the areas for investment and budget saving. They are intended to both allow the Council to

continue its improvement journey and begin the process of moving the level of Council Tax in Rossendale closer to the average.

- 4.6.2 It is therefore proposed to implement all the savings identified by officers (appendix 2). .
- 4.6.3 It is also proposed to implement all the proposals to invest and improve services across the Borough. The Budget consultation process highlighted the source of funding for these proposals without the need to draw on the additional resource of Council Tax (Appendix 3). .
- 4.6.4 There are a number of additional cost pressures and savings from the original consultation proposals these are attached to this report at Appendix 4 and have a net cost impact of £17k. It is proposed to implement these also.
- 4.6.5 The cost of continuing business, taken together with the new investments and savings proposals produces a budget requirement of £11,199,413
- 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 £5,090,438. 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 £239.32 representing an increase of 2.9%. This should be compared with the September Retail Prices Index of 3.6% which is the basis for the April 2007 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 17% of the total bill. The total bill is likely to increase by 5.1% once all precepts from other authorities have been received.

## **5. COMMENTS OF THE HEAD OF FINANCIAL SERVICES**

- 5.1 Financial Matters are dealt within the report.

## **6. COMMENTS OF THE HEAD OF LEGAL AND DEMOCRATIC SERVICES**

- 6.1 Unless specifically commented upon within the report, there are no implications for Legal and Democratic service matters.

## **7. COMMENTS OF THE HEAD OF HUMAN RESOURCES**

- 7.1 Unless specifically commented upon within the report, there are no implications for Human Resource matters.

## 8. CONCLUSION

- 8.1 That a Council Tax increase of 2.9% resulting in £239.32 (Band D) produces a balanced and manageable budget for 2007/08.
- 8.2 A summary of the final budget book for the Council can be found at Appendix 8

## 9. RECOMMENDATION(S)

- 9.1 See Appendix 1

(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 6)

## 10. CONSULTATION CARRIED OUT

- 10.1 Area Forums  
10.2 Lancashire Local  
10.3 Overview & Scrutiny  
10.4 Local businesses and business forums/Chamber  
10.5 Community Network e-mail database (via Head of Community & Partnerships)

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<b>Background Papers</b>	
<b>Document</b>	<b>Place of Inspection</b>
2007/08 Budget Proposal for Consultation document	Rossendale Borough Council - Website
Cabinet Report – 21 <sup>st</sup> February 2007	Rossendale Borough Council - Website