

Council

21st February 2007

Report of the Director of Resources and Deputy Chief Executive

Supplementary Report in Support of the 2007/08 to 2009/10 Revenue Budget

Summary

1. This report provides members with revised and supplementary information relating to the Revenue Budget Report 2007/08 to 2009/10 that was considered by the Executive on the 16th January 2007. The revised information relates to changes recommended by the Executive following their consideration of the report. Supplementary information has also been provided where such details were not available at the time the report to the Executive was drafted.

Background

2. The Revenue Budget Report was considered and accepted by the Executive on the 16th January. In line with the council's constitution the final decision on the budget rests with full Council and, as such, the Executive's decision has been referred to this meeting for consideration and agreement.
3. Due to the timing of the report there were a number of items of information which were not available to the Executive when they considered the report. These were:
 - The final grant settlement from DCLG;
 - Precept details for the Police, Fire and Parishes;
 - Comparative Council Tax increase information from other local authorities.
4. In taking their decision the Executive made a small number of changes to the details contained in the original proposals made by officers. This report provides the supplementary information required for Council to understand the impact of these changes. These changes were:
 - To provide for additional investment in CCTV;

- To realise additional income from the council's investments due to the recent rise in bank base rates;
- To retain the current level of provision in regards of the messenger service;
- To retain a 0.5fte Community Planning Officer post that was proposed for deletion from the establishment.

Updated Information

5. The Executive have recommended to Council that they set a budget predicated on a 4.5% council tax increase. This was based upon a receiving a net increase in government funding of £1,191k as shown in Table A. The final government grant settlement announced on the 18th January 2007 confirmed this allocation and there are therefore no resultant changes to the original proposals outlined in the Executive Report.

	2007/08 £'000
Reduced RSG due to Grant and Service Transfers	-201
Additional RSG for New Functions	0
Additional RSG/NNDR for 2007/08 settlement	1,392
Total	1,191

Table A – Gross Increase in Government Funding (General Fund)¹

This would result in an overall Council Tax increase for the City of York component of 4.5% (£42.29). As table B demonstrates when combined with the Police and Fire Authority increases this would equate to an increase on the Band D council tax of £49.79 or 4.24%. It should be noted that the average council tax band in York is a Band C. Band C properties pay ⁸/₉ 's of a Band D council tax giving a total 2007/08 charge of £1,087.55 (York £872.94, Police 164.80, £49.81), an increase of £44.25.

	2006/07		2007/08		
	Increase (%)	Council Tax (£)	Council Tax (£)	Increase (£)	Increase (%)
CYC	5.49	939.77	982.06	42.29	4.5
Police	2.27	180.00	185.40	5.40	3.0
Fire	2.56	53.94	56.04	2.10	3.9
Total	4.86	1173.71	1,223.50	49.79	4.24

Table B – Headline Band D Council Tax Figures for York²

6. At £42.29 York's proposed band d council tax increase is below that for the County Council where the proposed increase is £44.07. As a result, York's council tax increase will, in cash terms, be the lowest for

¹ Table 14 in the original Executive Report.

² Table 19 in the original Executive Report

any council in the North Yorkshire area³. It should be noted that the proposed increases shown are, except for the Police Authority, still subject to formal member approval.

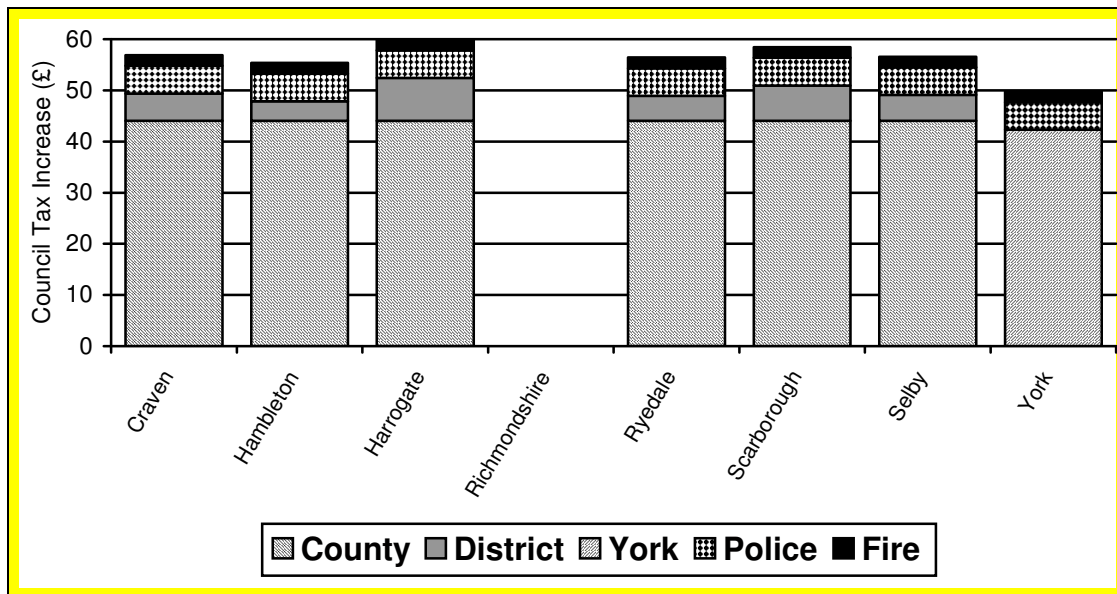


Figure A – Provisional Cash Increases in Band D Council Tax 2007/08⁴

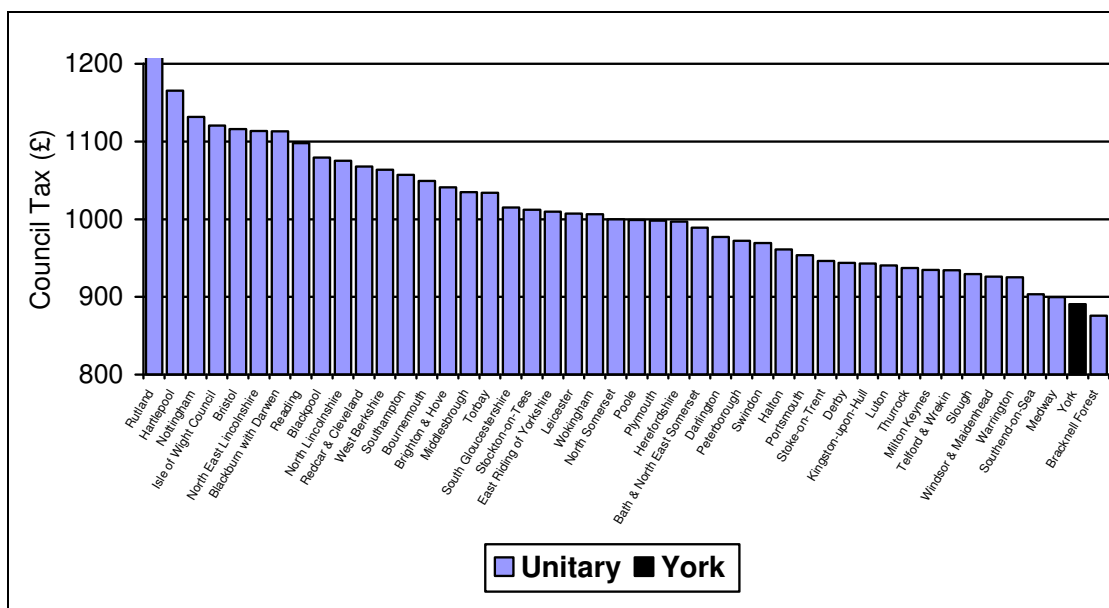


Figure B – Unitary Band D Council Tax 2006/07⁵

7. As Figure B demonstrates in 2006/07 York has the second lowest council tax for similar authorities. While such comparators are not yet available for proposed 2007/08 council tax levels, summary details of percentage increases for a number of unitary councils are shown at Figure C. These indicate an average increase for 2007/08 of 4.17%.

³ For York the increase comprises the council, police and fire precepts. For other areas increases comprise county, district, police and fire precepts.

⁴ At the time of publication Richmondshire were unable to release comparative data.

⁵ Table 2 in the original Executive Report

However Figure C also shows that half of the eighteen authorities intend set a council tax increase above that proposed for York. This indicates that in setting a 4.5% increase York's position relative to the other unitary councils is unlikely to change.

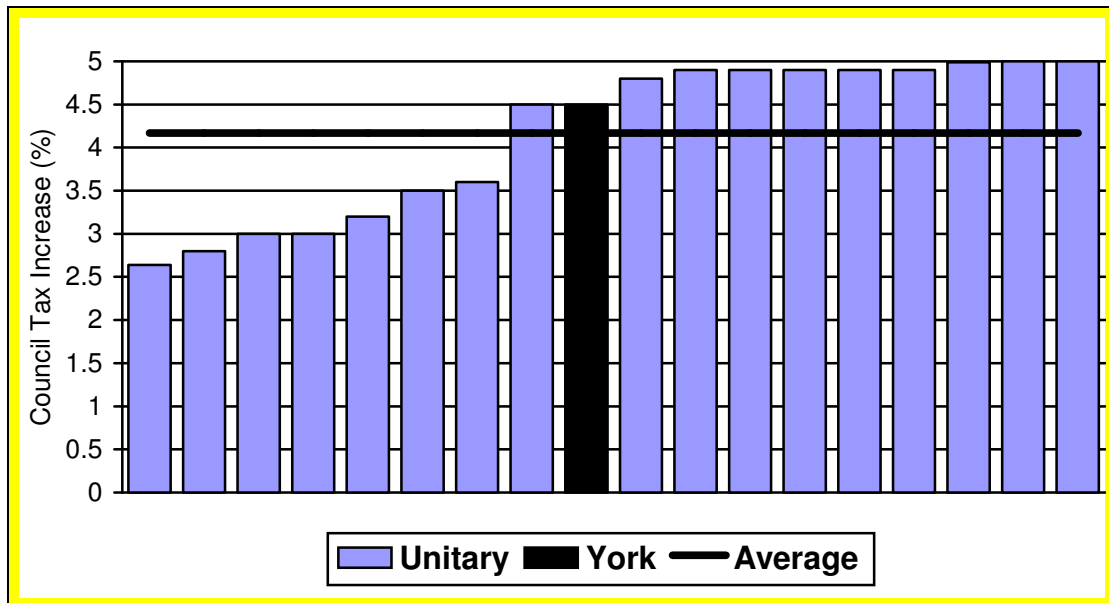


Figure C – Provisional Unitary Council Tax Increases 2007/08⁶

8. In national terms York currently has the 14th lowest band d council tax of any billing area in England. Current indications are that this position will remain unchanged in 2007/08.

Impact of the Executive's Amendments to the Proposed Budget Recommendations

9. In taking their decision the Executive made a small number of changes to the details contained in the original proposals made by officers. These changes were:
 - To provide for additional investment of £40k in CCTV (CSG06);
 - To realise additional income of £46k from the council's investments due to the recent rise in bank base rates (TM02);
 - To retain the current level of provision in regards of the messenger service at the cost of £6k (CX06);
 - To retain a 0.5fte Community Planning Officer post that was proposed for deletion from the establishment (CSS020) through the use of savings achieved by vacancies within the division.
10. Details of these decisions are shown at Annex C to this report which details the resultant changes to Annexes 3, 4 and 5 of the Executive Report.

⁶ Source: Unitary Treasurers Group.

11. While these changes have had no impact on the proposed council tax increase or the net budget for 2007/08 they have resulted in a number of minor adjustments to the financial information originally provided to members. To this end the Summary of Budget attached as Annex 1 to the Executive report has been recast and is attached as Annex A.
12. With the proposed additional funding for CCTV the growth proposals in the original report have increased by £40k to £12.146m. Table C shows the resultant revised values for Directorate Growth.

	2007/08 £'000	2008/09 £'000	2009/10 £'000
Corporate ⁷	467	967	1,467
Housing General Fund	17	44	76
Adult Social Services	1,640	1,514	1,514
LCCS	463	463	463
City Strategy	546	614	568
Chief Executives	413	121	121
Resources	319	319	319
Neighbourhood Services	377	369	439
Recurring Growth	4,242	4,411	4,967

Table C – Recurring Directorate Growth⁸

13. The increased income target for treasury management and the decision not to decrease the messenger service have, as shown in Table D, increased the net savings proposals from £4,799k to £4,839k.

	2007/08 £'000	2008/09 £'000	2009/10 £'000
Housing General Fund	86	113	145
Adult Social Services	899	906	906
LCCS	866	775	779
City Strategy - Planning & Transport	994	650	650
City Strategy - Economic Development	22	12	12
Chief Executives	208	204	204
Resources	862	840	842
Neighbourhood Services	902	873	844
Net Total of Savings	4,839	4,371	4,382

Table D – Saving Proposals⁹

14. It should also be noted that whilst the Executive has recommended that no reduction should be made to the messenger service it still remains a valid saving available to council. As such the alternate saving options detailed at Annex 5 and summarised at Table 7 of the original Executive report now total £1,571k per annum.

⁷ Assumes current policy of investing up to £500k per annum into the IT Development Fund is continued in 2008/09 and 2009/10.

⁸ Table 5 in the original Executive report

⁹ Table 6 in the original Executive report

15. The results of these changes are detailed at Annex A and summarised in Tables E and F below. These demonstrate that whilst the net position for 2007/08 remains unchanged the amendments have resulted in slightly increased costs in 2008/09 (up from the original projected saving requirement of £5,820 to £5,849k).

Expenditure Requirements	2007/08 £'000	2008/09 £'000
Net Expenditure Budget for Prior Year	98,869	104,538
Less: One-off Funding for non-recurring items	-1,100	-1,312
Starting Expenditure Requirement for Year	97,769	103,227
Unavoidable and Corporate Non-Schools Expenditure Pressures		
Recurring ¹⁰	7,334	7,112
Non-Recurring	570	295
Directorate Growth Funded via Reprioritisation ¹¹	4,242	3,669
Total Expenditure Pressures	12,146	11,076
Savings Proposals	-4,839	466
Adjustments on Corporate Budgets	-538	-197
Net Budget Growth / Additional Funding Requirement	6,769	11,345
Revised Projected Expenditure Requirement for 2007/08	104,538	114,572
Net Funding Available (Table E)	104,538	108,723
Projected Additional Saving Requirement	0	5,849

Table E – Revised Expenditure Requirements¹²

Funding Requirements	2007/08 £'000	2008/09 £'000
Existing Funding	98,869	104,538
Removal of one-off funding for non-rec exp.	-1,100	-1,312
Starting Funding Position	97,769	103,227
<u>Funding Changes</u>		
Loss of Grant due to Transfers and New Grants	-201	
Estimated Increase in RSG	1,392	436
Contribution from Collection Fund Surplus	850	600
Use of Reserves	1,312	627
Revised Funding for 2007/08	101,122	104,890
Additional Council Tax Income Required		
• From Increase in Council Tax	2,728	3,168

¹⁰ Includes £600k contingency

¹¹ 2008/09 Figure comprises adjustments to the 2008/09 growth proposals of £331k and assumed in year reprioritisation of £4,000k.

¹² Combination of Tables 2 and 22 in original Executive Report

• From Additional Properties	688	665
Net Impact of Council Tax Increase	3,416	3,833
Net Funding Available	104,538	108,723

Table F – Revised Funding¹³

Job Evaluation

16. As part of the Second Performance and Finance Monitor 2006/07 the Executive have agreed to release £710k of the job evaluation reserve to fund additional costs arising from the equal pay process. However since this meeting the council has been notified by DCLG that it will be able to borrow an additional £543k towards these costs, enabling the impact to be spread over a number of years.
17. It is the Director of Resources intention to take the opportunity offered by DCLG, a decision that will significantly increase the level of one-off resources that are available to fund the implementation of job evaluation. Due to the scope and complexity of these processes, the funding released will still be required for future job evaluation and equal pay purposes. This has an on-going revenue implication of approximately £50k per annum that will be met from the budgets already set aside for job evaluation. These changes have no impact on the budget being placed before members.

Reserves

18. Since the Executive Report was produced additional detail has been received from the Audit Commission concerning the levels of advice members should be offered on the levels of projected reserves. The benefit of holding such reserves is that the council can manage unforeseen financial shocks without the need to make immediate offsetting savings with the potential impact this could have on users of services.
19. Annex 7 of the Executive Report detailed projected reserve balances for 2007/08 and 2008/09. It has now become clear that these forecasts need to be extended to include 2009/10 and they have also been updated to reflect revised projections for the use of the venture fund in 2008/09 and 2009/10. A revised version of Annex 7 is therefore appended as Annex B to this report.
20. Annex B demonstrates that whilst there is some projected headroom in the projected reserves balances this is forecast to decrease once the administrative accommodation project begins it's agreed draw down of funding from the venture fund. In line with the agreed project plan such funds will be repaid from savings made in future years. In addition should some the one-off pressures in 2007/08 identified as part of the

¹³ Combination of Tables 15 and 22 in original Executive Report

contingency be incurred then future balances will be reduced. It should also be noted that in recent years the council has used its reserves as an integral part of its strategy for dealing with one off pressures (£1.1m in 2006/07 and £1.312m in 2007/08). The 2008/09 and 2009/10 reserves projections only take into account known calls of reserves of £627k and £584k respectively, a figure that is likely to increase as the detail of the 2008/09 budget is developed further.

21. Based on these factors it is the Director of Resources opinion that the figures at Annex B represent a prudent medium term reserves position for the council at this time.
22. Notwithstanding the fact that these funds are required to meet risks, uncertainties and future commitments, as these funds could be spent on current services there is an opportunity cost¹⁴ of holding reserves, especially those above the minimum CPA threshold. All council funds are invested via the treasury management function. Between April and December 2006 the return on such investments averaged 4.74% or £47,400 per annum for each £1m held. Such income is fed back centrally to support the council's overall revenue budget. As shown in Table G investment income from the council's reserves between for 2007/08 and 2009/10 is projected to be just under £300k per annum.

	2007/08		2008/09		2009/10	
	Balance £'000	Interest Income £'000	Balance £'000	Interest Income £'000	Balance £'000	Interest Income £'000
Mimimum Threshold	5,201	247	5,361	254	5,521	262
Headroom in Reserves	809	38	935	44	544	26
Total	6,010	285	6,296	298	6,065	288

Table G – Reserve Thresholds and Investment Income

23. Were members to determine to immediately utilise the identified headroom in the reserves then in taking such a decision the following would need to be considered:
 - a. Should the contingency pressures be realised or other adjustments occur (such as the LPSA2 reward grant not being received) then would the impact on services of maintaining the minimum reserve threshold outweigh the benefits of short-term investment?
 - b. The potential need to fund identified one-off revenue pressures in 2008/09 and 2009/10 from the on-going revenue budget.

¹⁴ Opportunity cost is a measurement of the benefits of the alternate uses which an asset, in this case cash held, could be used

- c. The need to identify additional savings to address the loss of budgeted investment income (£38k in 2007/08, £44k in 2008/09 and £26k in 2009/10).
- d. Whether such funding was truly one-off or if it created additional on-going revenue and capital costs for future years?

Consultation

24. Exhaustive consultation was undertaken as detailed at Annex 9 to the Executive Report. However one specific response, from the Upper and Nether Poppleton Parish Clerk was omitted. In his response the Clerk expressed his concern about the impact of rent increases and grant reductions on the activities of Poppleton Community Centre / Community Trust.

Options

25. Not applicable

Analysis

26. Not applicable

Risk Management

27. Not applicable

Recommendations

28. Members are asked to note the contents of the paper in conjunction with the detailed paper presented to the Executive on the 16th January 2007 and the minutes thereof. In particular members need to recognise that:
 - That at £104,539k the proposed net budget for 2007/08 has remained unchanged from that presented in the original Executive report.
 - A decision to endorse the Executive's recommended budget would result in a City of York Band D council tax for 2007/08 of £982.06, an increase of 4.5% (£42.29) from that for 2006/07.

Reason: To provide members with a complete and updated picture of the context within which the final budget decision must be taken.

Contact Details

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Chief Officer's name
Simon Wiles
Director of Resources and Deputy Chief
Executive

Report Approved **Date** 13.02.07

Chief Officer's name
Title

Report Approved *tick* **Date** *Insert Date*

Specialist Implications Officer(s)

Wards Affected: *List wards or tick box to indicate all*

All

For further information please contact the author of the report

Background Papers:

Executive Report, Revenue Budget 2007/08 to 2009/10, 16/1/07
Executive Report, Second Performance and Finance Monitor – 2006/07,
16/1/07