

**SOUTH HAMS DISTRICT
COUNCIL**

7 FEBRUARY 2008

**2008/2009
BUDGET PROPOSALS**

Introduction

This report contains details of the Executive's formal budget proposals for 2008/2009.

For ease of reference, the report is divided into two sections:

Coloured pages: These provide Members with:

- The formal proposals of the Executive following their considerations on the 24th January 2008.
- Details of the authority's overall revenue budget for 2008/2009.
- A revised financial strategy. This shows the medium-term financial position if the recommendations are approved without amendment.

The minutes of the Executive meeting are included elsewhere on this agenda and provide a more complete picture of the decisions taken.

White pages:

The white pages reproduce the papers submitted to the Executive on 24th January for consideration by full Council.

**Statutory Powers: Local Government Act 1972, Section 151
Local Government Finance Act 1992**

Purpose of the Report

This section provides an update of our overall financial position and details the formal proposals of the Executive to achieve a balanced budget. The proposals before Members reflect the outcomes of consultation with the Policy Development Groups, Scrutiny, Town and Parish Councils, the public and business communities.

2008/2009 BUDGET PROPOSALS – FINAL RECOMMENDATIONS

Recommendations

- 1 That the following sums will be included in the overall budget.

	£
Provision for inflation	620,000
External interest receivable	1,150,000
Reversal of Capital and Pension (FRS17) Charges	2,241,900
Collection Fund Surplus	70,000
Net contributions to Reserves (Appropriations)	1,141,450
Bids:	
- Provision for recurring bid items financed from the council tax	117,500
- Provision for bid items financed from Planning Delivery Grant	94,500
- existing bids approved in previous years	62,550
Options to close the budget gap:	
Efficiency savings and benefits of partnership working that can be achieved without a significant impact on service delivery	489,900

- 2 That the level of reserves as set out within Section 4 of the Executive report and the assessment of their adequacy and the robustness of budget estimates, be noted (Section 8). This is a requirement of Part 2 of the Local Government Act 2003.
- 3 That the future Pension Fund employer contribution rates be set at 10.1% in 2008/09; 10.5% in 2009/10 and 11.0% in 2010/11 at a cost of £50,000 in 2008/09.
- 4 That under Part 1 of the Local Government Act 2003, the Prudential Indicators and the limits set out within Appendix J of the report be noted and approved.
- 5 That the Treasury Management Strategy Statement and Annual Investment Strategy for 2008/09 set out in Appendix K of the report be adopted.
- 6 That the Council will set its total net expenditure for 2008/2009 at £10,389,400.
- 7 That the minimum level of the General Reserve balance be maintained at least to the equivalent of 20% of the net revenue budget.

2008/2009 BUDGET PROPOSALS – FINAL RECOMMENDATIONS

Part 1: The Executive's considerations in arriving at its final proposals for bids, efficiency savings and Council Tax (Executive meeting held on 24 January 2008)

- 1 Over the past few months, the Executive has given the budget very detailed consideration. The recommendations before Members take account of the extensive consultation exercises with the Policy Development Groups, Scrutiny, Town and Parish Councils, the public and business communities. This process has enabled and informed Members in their consideration of the appropriate level of service provision and council tax levels.
- 2 The Government has urged all local authorities to set increases in council tax substantially below 5%. The recommended increase of 4.49% is well within this limit. The increase will add £5.62 per annum or approximately 11p per week to our portion of the band D council tax.
- 3 In considering the appropriate increase to Council Tax for next year, the Executive have had regard to the medium-term financial forecast and the need to achieve a sustainable level of core expenditure over the forthcoming years.
- 4 The Executive have considered the following matters in coming to their final recommendations:
 - We are continuing our policy of recent years to reallocate resources to facilitate a continuous improvement in our key services to the public. In total we are recommending additional resources to our key services amounting to £212,000.
 - We are achieving savings of £489,900 which can be achieved without a significant impact on service delivery. This includes Shared Service arrangements with West Devon Borough Council and Teignbridge District Council for which there are budgeted savings of £103,000. Further savings will be identified during the forthcoming year as service business plans are approved.
 - This year has seen the worst ever Revenue Support Grant settlement for district councils with South Hams only receiving a 1% increase compared with the December Retail Price Inflation of 4%. This represents a cut in real terms of 3% which we have to make up with savings on our services or increasing council tax.
 - The grant announcements for the next two years are also absolutely dreadful; £28,000 extra in 2009/10 and £69,000 in 2010/11. The average increase over the three years is only 0.9%. This must be viewed against the expectation of continuing service improvement by the public; unavoidable pressures faced by the Council such as inflation and preparing for the new Sherford community together with Government imposed pressures such as recycling targets, single

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status and concessionary bus fares.

- 5 The General Fund revenue budget, our five year financial strategy and the recommendations for the 2008/09 Bids and Savings are summarised in Appendices A ,B and C respectively. The financial strategy model has been rolled forward to enable Members to look ahead to future years in considering their spending plans and council tax levels.

Part 2: Conclusion

- 6 The above paragraphs summarise the overall position faced by the Council and the considerations of the Executive in arriving at its final proposals to achieve a balanced budget. This year, as last year, the consultation process was extended beyond the membership of the Council, to include the views of the public, businesses and representatives from Parish/Town Councils.
- 7 Once again, the Government grant settlement has been very disappointing with a settlement that is 3% below the level of Retail Price Inflation. Our increase of 1% is the lowest amount of grant that can be awarded to a council under the present rules, yet we have a new community to deliver. I am therefore seeking a meeting with the relevant Minister to point out the impact this is likely to have, having regard to the Revenue Support Grant announcement for the next three years and current economic predictions.
- 8 As always, there have been bids for additional resources and I feel that those which have been supported by the Executive can be accommodated within prudent financial parameters. Through seeking to make substantial savings which do not significantly affect services received by customers, it has been possible to free up resources to assist in financing those pressures that accord with our key objective and priorities.
- 9 I commend the budget proposals to the Council, as I firmly believe they will not only accommodate essential and high priority service pressures, but will do so with a council tax increase that is substantially below the Government capping limit despite a derisory grant increase of only 1%.
- 10 The recommended increase in Council Tax of £5.62 will bring our band D council tax up to £130.66 and if accepted we should still have the third lowest council tax in Devon and Cornwall. We will still be well below the 2007/08 average council tax in Devon and Cornwall of £146 and the national average for all district councils of £152.

Councillor J Tucker
Leader of the Council