

**SOUTH HAMS DISTRICT
COUNCIL
8TH FEBRUARY 2007**

**2007/2008
BUDGET PROPOSALS**

2007/2008 BUDGET PROPOSALS – FINAL RECOMMENDATIONS

Introduction

This report contains details of the Executive's formal budget proposals for 2007/2008.

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 25 January 2007.
- Details of the authority's overall revenue budget for 2007/2008.
- 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 25 January for consideration by full Council.

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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 and wider business community.

Recommendations

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

	£
Provision for inflation	473,000
External interest receivable	1,170,000
Reversal of Capital and Pension (FRS17) Charges	2,097,600
Collection Fund Surplus	70,000
Net contributions to Reserves (Appropriations)	1,310,750
Bids:	
- Provision for recurring items financed from the council tax	38,000
- Provision for items financed from reserves or self financing (consequently there is no impact on the council tax)	253,300
- existing bids approved in previous years	20,550
Options to close the budget gap	436,000

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 7). This is a requirement of Part 2 of the Local Government Act 2003.
3. That the vehicle replacement programme to be funded from the Vehicles and Plant Renewals Reserve, as set out in Appendix J be approved. That the Head of Operations and Head of Finance be authorised to vary the programme (in terms of year of replacement/vehicle type/purchase cost) according to the demands of the service, but within the overall approved capital budget over the period of the programme.
4. That under Part 1 of the Local Government Act 2003, the Prudential Indicators and the limits set out within Appendix K of the report be noted and approved.

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5. That the Treasury Management Strategy Statement and Annual Investment Strategy for 2007/08 set out in Appendix L of the report be adopted.
6. That the Council will set its total net expenditure for 2007/2008 at £10,067,200.
7. That the minimum level of the General Reserve balance be maintained at least to the equivalent of 25% of the net revenue budget (currently this is equivalent to a balance of at least £2.5m)

Part 1: The Executive's considerations in arriving at its final proposals for bids and efficiency savings (Executive meeting held on 25 January 2007)

1. Over the past few months, the Executive has given the budget very detailed consideration. The recommendations before Members take account of the consultation exercises and the Executive's desire to ensure that 'core expenditure' is maintained at a prudent and sustainable level.
2. The Government has stated that local authorities must set increases in council tax below 5%. The recommended increase of 3.9% is well within this limit and also below the Retail Price Inflation of 4.4%. The increase will add £4.68 per annum or 9p per week to our portion of the band D council tax.

Part 2: The Level of Council Tax and General Fund Revenue Expenditure

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:
 - The need to continually improve our services to meet our corporate priorities.
 - Achieving efficiency savings including the transfer of the Leisure facilities and exploring the Shared Service arrangements with Teignbridge District Council
 - The impact of changes in interest rates on the authority's overall investment income. An increase or decrease of ¼% would result in additional/reduced income of around £20,000.

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- Grant income of £5,355,000 (2.7% increase over 2006/07)
 - The adequacy and overall level of reserves and balances
 - The need to have resources to fund further investment in affordable housing.
5. The recommended increase in Council Tax of £4.68 will bring our band D council tax up to £125.04 and if accepted we should still have the third lowest council tax in Devon and Cornwall. We will be still well below the 2006/07 average council tax in Devon and Cornwall of £141 and the national average for all district councils of £147.
6. The General Fund revenue budget, our five year financial strategy and the recommendations for the 2007/08 Bids 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 determining their spending plans and council tax levels.

Part 3: Conclusion - Appropriate Expenditure levels for 2007/2008 and Level of Council Tax required

7. 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 business forum and representatives from Parish/Town Councils. This process has enabled and informed Members in their consideration of the appropriate level of service provision and council tax levels.
8. Once again, the Government grant settlement has failed to make adequate provision for inflation and for the unavoidable pressures faced by the Council – for example, the introduction of the free local bus travel, for which there is over £130,000 that has to be made up by the council tax payer. Nevertheless, the budget before Members has been carefully constructed with an eye to the medium term, to ensure that 'core' expenditure is kept at a prudent and sustainable level.
9. 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 the successful transfer of the Leisure Centres; seeking to make substantial efficiency saving which do not affect services received by customers and a review of some of our reserves, it has been possible to free up resources to assist in financing those pressures that accord most closely with our key objective and priorities.

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10. 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 below the level of inflation.
11. The budget before you will result in an increase in Council Tax of £4.68 per annum or 9p per week on a Band D property.

Councillor R O Yonge
Leader of the Council