

# WEST DUNBARTONSHIRE COUNCIL

## Report by Executive Director of Corporate Services

Special Council : 28 January 2010

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### Subject : General Services Revenue Estimates and Council Tax

#### 1. Purpose

1.1 The purpose of this report is to provide Council with sufficient information to allow them to agree:

- the General Services Revenue Estimates for 2010/11
- the level of prudential reserves for 2010/11
- the council tax level for 2010/11

#### 2. Background

2.1 Members received a copy of the draft revenue estimates book on 6 January 2010, together with an explanatory report. The report identified a balance of £42.410m to be met from council tax, savings and reserves.

2.2 The report also detailed additional funding of £1.208m that will be made available to West Dunbartonshire Council should the Council agree to freeze its council tax level for 2010/11. A standstill council tax will generate £38.589m and, together with the additional funding of £1.208m, a funding gap of £2.613m remains to be addressed by the utilisation of efficiency savings and balances.

2.3 The above figures are based on the provisional allocations announced in finance circular 12/2009 issued on 26 November 2009 but which cannot be formally confirmed until the Local Government Finance ( Scotland ) Order 2010 is approved by the Scottish Government in early February.

2.4 To assist with the closure of this gap, Members were also provided with a package of budget savings options which totalled £5.062m and which have been recommended by the Corporate Management Team.

2.5 Budgets for capital and the HRA have also been considered to ensure that the full impact of the Prudential Code for Capital Investment and the interrelationship between the general fund and the HRA are fully reflected in the draft general services budget. A report on the HRA Revenue Estimates 2010/11 appears later on this agenda and reports on both the General Services capital plan 2010/11 and the HRA capital plan 2010/11 will be presented to Council on 24 February 2010.

### **3. Main Issues**

#### Revenue Estimates 2010/11

- 3.1** The revised net expenditure, based on a standstill budget, is £251.792m and after deduction of the financial settlement (excluding the Council tax freeze funding) and allowing for the additional management adjustment detailed in paragraph 3.7, the balance has reduced to £42.020m. Without savings or reserves, a council tax increase of 10% would be required to fund this expenditure.
- 3.2** The additional funding of £1.208m available to the Council should it choose to freeze its council tax level for 2010/11 is, based on the current band D product, the equivalent of a 3.14% council tax increase.
- 3.3** In September 2009 budget guidance was issued to departments to prepare the budget on the basis of current policies. This means that the budget is based on the approved activity levels of 2009/10 except where growth has been specifically approved by the Council or included in the AEF from central government). If Members wish to build in more growth to the budget, further savings will be required.
- 3.4** The above figures exclude water and sewerage charges. The Council has no control over these charges although they are collected along with council tax. For 2010/11, although there has been a small offsetting movement between the water and sewerage elements, the combined charge for a band D property will remain at £393.57.
- 3.5** As a result of the current economic downturn and, in particular, the continuing impact during 2010/11, I am unable to recommend any increase to the budgeted council tax collection rate of 97.0% for 2010/11.

#### Restructuring Options

- 3.6** Members will be aware that £1.75m of management adjustments have been included in the revenue budget book issued on 6 January 2010. It should be noted that within this figure £963,751 has been allocated to restructuring proposals.
- 3.7** Executive Directors have been working on structural changes over the last few months and, following discussions, it is anticipated that a further saving of £450,000 (less an allocation to non-general fund areas of £60,000) will be achieved in 2010/2011. Therefore, the funding gap has been reduced to £2.223m.
- 3.8** In addition, Members will be aware that a number of options contained in the saving book relate to structural changes. If Members approve these options, this will generate a further saving of £757,500 which helps close the current budget gap.

## Prudential Reserves

- 3.9** In 2003, the Council approved a prudential reserves target of 2% of net expenditure. The purpose of prudential reserves is to safeguard the Council against financial risk. Based on the net expenditure total quoted in paragraph 3.1, less the funding gap, the target level of reserves for 2010/11 is £4.976m. It is, however, intended to bring a paper to an early meeting of the Strategic Finance Working Group recommending a review to the above target, taking into account the prudential reserves held separately by the each of the joint Boards, which would revise the target downwards to around £4m. At 31 March the Council had an unmarked general fund reserve of £0.258 (6.45% of the revised target).
- 3.10** To enable the Council to work towards the restoration of balances to a prudential level, a contingency provision of £0.400m has been included within the draft budget for 2010/11. As a result, a draft balance of around £1m is forecast at March 2011. Following an assessment of this forecast, I am unable to recommend the utilisation of any balances into the 2010/11 budget setting process.

## Revenue Estimates 2011/14

- 3.11** Because the council tax has still to be set, detailed revenue estimates have only been produced for 2010/11. However, to meet the Council's requirement for medium term budgets, an indicative budget for the following three years has been prepared which assumes the same level of service as that implicit within the 2010/11 budget.
- 3.12** 2011/12 is the first year of the next three year funding settlement and consequently the outcome of spending review 2010 (SR10 ) has still to be completed. Although the funding allocations have still to be finalized, it has been assumed that, in line with national forecasts on public sector funding, that the level of grant support to WDC will reduce by 4% p.a. over the period.
- 3.13** Taking into account the above together with the increasing demand for services, the indicative budget forecasts substantial funding gaps of £12.6m in 2011/12, a further £12.8m in 2012/13 and a further £13m in 2013/14 which will require to be closed by a combination of efficiencies, balances and council tax. It is recommended that this forecast continues to be remitted to the budget working group to consider options to address the position.

## **4. Personnel Issues**

- 4.1** There are no personnel issues.

## **5. Financial Implications**

- 5.1** As detailed in the report.

## **6. Risk Analysis**

- 6.1** The Council, in setting this budget, is required to give due regard to the significant financial pressures facing the Council in the medium term. Given the uncertainties regarding a number of significant budget pressures such as fostering, residential placements and energy costs, the level of prudential reserve outlined in paragraph 3.7 is considered to be the minimum required to safeguard the Council against financial risk.

## **7. Officers' conclusions and recommendations**

- 7.1** Based on a draft budget of £251.792m, less the management adjustment of £0.390m, the Council would have to increase the council tax by 9% in 2010/11 to maintain services at current levels.
- 7.2** The figures assume no additional borrowing costs due to prudential investment in general services capital.
- 7.3** Following consideration of the budget pressures facing the Council, together with the savings options identified whilst also maintaining the Council's commitment to keep council tax levels as low as possible, it is recommended that the Council accepts the additional funding of £1.208m available from the Scottish Government and agrees to a standstill council tax level. To achieve this recommendation Council will be required to agree net efficiencies of £2,222.720. This will allow the Council to continue to work towards the restoration of balances to a prudential level.
- 7.4** The Council is committed to medium term budgeting and options to address the indicative funding gap for 2011/12 and the following years will be considered at an early date by the Strategic Finance Working Group.
- 7.5** Following consideration of budget information provided, Council is recommended to:
- Set the band D council tax level for 2010/11 at £1,163 which represents a 0% increase and assumes a collection rate of 97.0%
  - Agree net efficiencies of £2,222.720
  - Agree to continue to work towards the restoration of balances to a prudential level of 2% of net expenditure
  - Remit consideration of the forecast funding gap for 2011/14 to the Strategic Finance Working Group.

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**Joyce White**  
**Executive Director of Corporate Services**  
**Date: 15 January 2009**

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**Person to Contact:** David Connell, Head of Finance & ICT  
Council Offices, Garshake Road, Dumbarton  
Tel: (01389) 737191. E-mail [david.connell@west-dunbarton.gov.uk](mailto:david.connell@west-dunbarton.gov.uk)

**Appendices:** None

**Background Papers:** Reports to Members – Revenue estimates 2010/11 – 6  
January 2010  
Draft Revenue Estimates 2010/11 & Savings Options – 6  
January 2010

**Wards Affected:** All