

# WEST DUNBARTONSHIRE COUNCIL

## Report by Executive Director of Corporate Services

Council : 12 February 2009

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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 2009/10
- the level of prudential reserves for 2009/10
- the council tax level for 2009/10

#### 2. Background

2.1 Members received a copy of the draft revenue estimates book on 7 January 2009 together with an explanatory report. The report identified a balance of £41.939m 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 2008/09. A standstill council tax will generate £38.589m and, together with the additional funding of £1.208m, a funding gap of £3.350m remains to be addressed by the utilisation of efficiency savings and balances.

2.3 Officers have continued to review budgets and have assessed the implications of additional information coming from the Scottish Government. This has resulted in a number of changes to the figures contained in the draft estimate book. These changes are shown in Appendix 1.

2.4 To assist with the closure of this gap, Members were also provided with a package of budget savings options which totalled £8.519m 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 2009/10 appears later on this agenda and reports on both the General Services capital plan 2009/10 and the HRA capital plan 2009/10 will be presented to Council on 25 February 2009.

### **3. Main Issues**

#### Revenue Estimates 2009/10

- 3.1** The revised net expenditure, based on a standstill budget, is £247.021m and after deduction of the financial settlement and allowing for the management adjustments which are detailed in appendix 1, the balance has reduced to £42.537m. Without savings or reserves, a council tax increase of 10.23 % 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 2009/10 is, based on the current band D product, the equivalent of a 3.14% council tax increase.
- 3.3** In September 2008 budget guidance was issued to departments to prepare the budget on a standstill basis. This means that the budget is based on the approved activity levels of 2008/09 (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 2009/10, the charge for a band D property will be £393.57; an increase of 3.70% on the current year's charge. As a result, should the Council choose to freeze its council tax bill, the overall tax bill will still increase by 0.91%.
- 3.5** As a result of the current economic downturn and, in particular, the forecast impact during 2009/10 I am unable to recommend any increase to the budgeted council tax collection rate of 97.0% for 2009/10.

#### Prudential Reserves

- 3.6** 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, the target level of reserves for 2009/10 is £4.940m.
- 3.7** 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 2009/10. As a result, a draft balance of £1.177m is forecast at March 2010. Following an assessment of this forecast, it is not recommend to utilise any balances into the 2009/10 budget setting process.

#### Revenue Estimates 2010/11

- 3.8** Because the council tax has still to be set, detailed revenue estimates have only been produced for 2009/10. However, to meet the Council's requirement for medium term budgets, an indicative budget for 2010/11 has been prepared which assumes the same level of service as that implicit within the 2009/10 budget and is detailed within appendix 2 to this report. This budget updates the assumptions behind the forecast position which was presented to Council in August 2008 and takes account of the significant budget pressures that have arisen since that report was prepared.

**3.9** As a result of the Chancellor's pre budget announcement, the Scottish Government has not, at this stage, been able to publish updated local government settlement figures for 2010/11. Discussions regarding the possible implications of this for local government are continuing through CoSLA. In the preparation of the indicative budget for 2010/11, a reduction of £3m from the previously announced totals has been assumed.

**3.10** This indicative budget forecasts a funding gap of £7.301m which will require to be closed by a combination of efficiencies, balances and council tax. It is recommended that this forecast 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. Conclusions**

**7.1** Based on a draft budget of £247.021m, the Council would have to increase the council tax by 10.23% in 2009/10 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 £2,739,710 (£3,349,710 - £610,000). 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 2010/11 will be considered at an early date by the Budget Working Group.

## **8. Recommendations**

### **8.1 Following consideration of budget information provided, Council is recommended to:**

- **Set the band D council tax level for 2009/10 at £1,163 which represents a 0% increase and assumes a collection rate of 97.0%**
- **Agree net efficiencies of £2,739,710**
- **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 2010/11 to the Budget Working Group.**

**Joyce White**  
**Executive Director of Corporate Services**  
**Date: February 2008**

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**Wards Affected: All**

**Appendices: Appendix 1 : 2009/10 draft estimates - management adjustments**  
**Appendix 2 : 2010/11 Indicative budget**

**Background Papers: Reports to Members – Revenue estimates 2009/10 – 7 January 2009**  
**Draft Revenue Estimates 2009/10 & Savings Options – 7 January 2009**

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