

# WEST DUNBARTONSHIRE COUNCIL

## Report by Executive Director of Corporate Services

Council: 14 February 2008

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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 2008/09
- the level of prudential reserves for 2008/09
- the council tax level for 2008/09

#### 2. Background

2.1 Members received a copy of the draft revenue estimates book on 11 January 2008 together with an explanatory report. The report identified a balance of £44.639m 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 £38.414m and, together with the additional funding of £1.208m, a funding gap of £5.017m 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 had earlier received on 1 October 2007 a package of budget savings options which totalled £14.413m 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. Reports on both the general services capital plan 2008/09 and the HRA Estimates 2008/09 will be presented to Council on 27 February 2008.

### **3. Main Issues**

#### Revenue Estimates 2008/09

- 3.1** The revised net expenditure, based on a standstill budget, is £241.288m and, following the management adjustments which are detailed in appendix 1, the balance has reduced to £44.187 m. Without savings or reserves, a council tax increase of 15 % 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 2008/09 is, based on the current band D product, the equivalent of a 3.14% council tax increase.
- 3.3** In September 2007 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 2007/08 (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 2008/09, the charge for a band D property will be £379.53; an increase of 3.73% 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 0.9%
- 3.5** As a result of a consistently improved council tax collection performance, together with both a further review of council tax processes and efficiencies resulting from the development of DIP and Workflow, I recommend that the budgeted council tax collection rate is increased from 96.75% to 97.0% for 2008/09. This recommendation has been incorporated within the management adjustments detailed in appendix 1.

#### 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 2008/09 is £4.826m.
- 3.7** The draft budget includes full provision for the estimated cost of securing a single status agreement in line with the proposal approved by Council on the 27 June 2007. This also required an increase of £2.4m from the provision made in the current year's (2007/08) budget. Action was taken by the Corporate Management Team in September to introduce spending restrictions to address this pressure.

- 3.8** To enable the Council to work towards the restoration of balances to a prudential level over a three year period, a contingency provision of £0.736m has been included within the draft budget for 2008/09. As a result a draft balance of £2.535m is forecast at March 2009. Following an assessment of this forecast, I am unable to recommend the utilisation of any balances into the 2008/09 budget setting process.

#### Revenue Estimates 2008/09 and 2009/10 and 2010/11

- 3.9** Because the council tax has still to be set, detailed revenue estimates have only been produced for 2008/09. However, to meet the Council's requirement for medium term budgets, it is proposed that departments should plan to produce the same level of service implicit in the 2008/09 budget. The Council intends to issue indicative budgets for both 2009/10 and 2010/11 at an early date.
- 3.10** It is anticipated that these indicative budgets for both 2009/10 and 2010/11 will show a significant funding gap which will require to be addressed by further efficiency savings.

#### **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 the final cost of single status and significant budget pressures such as fostering, residential placements and energy costs, the level of prudential reserve outlined in paragraph 3.9 is considered to be the minimum required to safeguard the Council against financial risk.

#### **7. Conclusions**

- 7.1** Based on a draft budget of £241.288m, the Council would have to increase the council tax by 15% in 2008/09 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 £4,564,590 (£5,017,400 - £452,810). 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 once the council tax is set for 2008/09, indicative revenue and capital estimates will be produced for the following year.

## **8. Recommendations**

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

- Set the band D council tax level for 2008/09 at £1,163 which represents a 0% increase and assumes a collection rate of 97.0%
- Agree net efficiencies of £4,564,590
- Agree to continue to work towards the restoration of balances to a prudential level of 2% of net expenditure.

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

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**Wards Affected: All**

**Appendices: Appendix 1 : 2008/09 draft estimates - management adjustments**

**Background Papers: Reports to Members:**  
**Local Government Finance Settlement 2008/11 – 19 December 2007**  
**Revenue Estimates 2008/09 – 10 January 2008**  
**Savings Options – 1 October 2007**

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