



Report to: Cabinet

Subject: Local Government Finance Settlement & Budget 2008/09

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1. CONTENTS

This report provides the key points of the provisional local government finance settlement for 2008/09, which was released on 6 December 2007. It also provides an overview of the base budget for 2008/09.

2. KEY POINTS

The Minister of State for Local Government announced the first three-year settlement for local government on 6 December 2007, ie for 2008/09, 2009/10 and 2010/11. A consultation on the proposed settlement was launched, and this will end on 8 January 2008.

The key features of the settlement are:

- Total government grant funding for local authorities will be £70.4 billion in 2008/09, £73.5 billion in 2009/10 and £76.7 billion in 2010/11. These are increases of 4%, 4.4% and 4.3% respectively, an annual increase of 1.5% above inflation.
- Every authority will receive a formula grant increase in every year.
- As in recent years, floor-damping arrangements for each of the three years will ensure that all groups of authorities will receive a minimum grant increase.
- The proposed standard multiplier for National Non-Domestic Rates in 2008/09 will be 46.2p, with the small business multiplier being 45.8p
- The Government expects the average Council Tax increase for 2008/09 to be less than 5%, and has warned that that capping powers may be used to deal with excessive increases.

A copy of the Local Government financial settlement briefing as provided by the Local Government Association is attached at Appendix 1.

3. GEDLING BOROUGH COUNCIL'S POSITION

- The base increase in Gedling's adjusted cash amount has increased from £8,726,779 for 2007/08 to £9,250,877 in 2008/09, which represents an increase of 6%. However, floor damping arrangements which ensure that all groups of authorities receive a minimum grant increase have had the impact of reducing Gedling's grant amount by £317,179 to £8,933,698 in 2008/09. This represents an effective increase of 2.4%.
- Proposed increases of 1.9% for 2009/10 and 1.6% for 2010/11 have also been provided, and this gives settlement figures of £9,106,545 and £9,252,878 respectively.
- There have been no significant changes at district level in respect of new or removed burdens in the main settlement, although specific grants for the additional costs, following the introduction of a national concessionary fares scheme in April 2008, have been notified. This amounts to £307,000 for 2008/09.

4. BASE BUDGET 2008/09

The latest available estimate of the base budget for 2008/09 is £14,970,600, see table below.

<u>Portfolio:</u>	£
Leader	2,033,400
Safe & Sustainable Neighbourhoods	1,298,500
Development & Economic Regeneration	641,800
Direct Services & Property	5,606,900
Housing & Health	1,838,900
Leisure & Youth	2,798,600
Finance & IT	581,500
Sub-total	14,799,600
Estimated residual Central Support Costs if Housing transfer mid year 2008/09	252,600
Increase in investment interest if Housing transfer mid year 2008/09	-81,600
Total Base Budget 2008/09 excluding income inflation	14,970,600

The base budget excludes income inflation. An increase of 1% on discretionary income charges generates £42,700, however if the decision was taken not to increase the Leisure DNA scheme charges, this figure falls to £32,000. The table below shows the effect of various increases.

<u>Increase %</u>	1%	2%	3%	4%	5%
Incl DNA	£42,700	£85,500	£128,200	£171,000	£213,700
Excl DNA	£32,000	£64,100	£96,100	£128,100	£160,200

Assuming income inflation of 3% excluding DNA ie £96,100, this would give a base budget of £14,784,500.

Additional Superannuation of 1.6% has been included in the base budget, however the results of the actuarial revaluation are still pending and this is likely to result in further additional costs.

The base budget assumes that the LSVT takes place mid year in 2008/09 and adjustments have been made to the estimates based on the best available information. It should be noted that the costs associated with the transfer are subject to considerable fluctuation and may be subject to further changes.

Final details of the county-wide response to the introduction of the new national concessionary fares scheme have yet to be agreed, and this could have an impact on the Council's budgets.

The summary of the Medium Term Financial Plan below represents the latest base budget together with nominal sums in respect of revenue bids and the revenue effects of capital bids, pending Members' decisions as to the level of such bids. Income inflation (excluding DNA for 2008/09 only) and Council Tax increases have each been assumed at 3% per annum.

This summary shows the potential for modest ongoing revenue growth of £200,000, and is based on the potential for up to £1.4m of new capital schemes being introduced in 2008/09. Clearly if additional revenue expenditure is approved, then this will reduce the Council's ability to borrow prudentially to fund capital expenditure. Conversely, a reduced level of capital expenditure could release additional resources for increased revenue expenditure.

The projected level of General Fund balances is also given, together with the minimum "desirable" balance based on 7.5% of total expenditure. It can be seen that on the current assumptions, balances are likely to be below the minimum level from 2011/12 and further ongoing cashable efficiency savings will be needed if service cuts are to be avoided. This position is similar to previous years, and the Council has a track record of achieving efficiency savings and underspendings each year, to ensure that long-term balances are adequate.

	2008/09 £	2009/10 £	2010/11 £	2011/12 £	2012/13 £
Budget assuming 3% income inflation	14,874,500	15,369,300	15,622,200	16,045,400	16,322,000
Assumed revenue development bids	200,000	200,000	200,000	200,000	200,000
Assumed revenue implications of future capital bids	20,000	50,000	80,000	110,000	140,000
Projected Budget	15,094,500	15,619,300	15,902,200	16,355,400	16,662,000
Use of Balances in above	(973,397)	(1,086,241)	(1,034,193)	(1,080,314)	(964,467)
Projected year-end GF Balances	2,448,696	* 2,792,455	1,918,262	837,948	(126,519)
Minimum Balance	1,132,100	1,171,400	1,192,700	1,226,700	1,249,600
(Surplus)/Deficit	(1,316,596)	(1,621,055)	(725,562)	388,752	1,376,119

* Assumes transfer of the final HRA balance to the General Fund, in the order of £1.3m

The table above shows a general trend of using General Fund balances to support ongoing expenditure. This is not a sustainable position, and is a result of an imbalance between day-to-day income and expenditure. This imbalance can only be resolved by one or more of the following actions:

- Increasing fees and charges above 3%
- Introducing new fees and charges
- Increasing Council Tax by more than 3%
- Cutting services
- Generating significant efficiency savings which result in actual budget reductions

The above also shows that there is no opportunity for further growth in revenue expenditure over the medium term.

Members are reminded that the Council will decide the actual Council Tax level at the Budget Council Meeting on 5 March 2008.

5. RECOMMENDATION

Members are asked to note the report and consider whether they wish to make a response to the settlement consultation.