

Committee: Full Council
Date: 11 December 2007
Title: General Fund & HRA Budgets 2008/09
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Summary

1. This report presents an initial position statement for the 2008/09 General Fund budget.
2. The Medium Term Financial Strategy (MTFS) was updated in September 2007 to reflect known changes at that time. It was forecast that there would be a deficit in 2008/09 of £1,426,085
3. Since the compilation of this figure a number of new challenges and savings have been identified. The forecast deficit for 2008/09 now stands at £1,822,724 a breakdown is given at paragraph 14 below.
4. It is likely that all Balances will have been used to address the projected deficit in 2007/08 leaving none available for 2008/09 (see previous report).
5. At the time of setting the budget, under Section 25 of the Local Government Act 2003, the Council's Chief Financial Officer is required to report to the Council on:
 - 1) The robustness of the estimates included within the budget
 - 2) The adequacy of the reserves and balances

Ideally the General Fund Balance should be a minimum of 5% of net operating expenditure. Clearly that will not be achieved from 2008/09 or for several years to follow.

6. The cost of Stansted Airport appeals was in previous years almost all met from the District Character Reserve. This Reserve has now been exhausted and any costs around G2 will have to be met from the General Fund itself. Provision of £500,000 has been allocated in the budget for 2008/09 with a further £500,000 in 2009/10
7. In respect of the G1 appeal BAA have asked for costs to be awarded against the Council. A precise figure has yet to be determined however it would be reasonable to expect this to be in excess of £1,000,000. The council believes it can defend the request but should it be unsuccessful there are no Reserves to meet an award of this size.
8. Exercises undertaken during the second half of 2007/08 have stripped out potential budget savings. Consequently it is the opinion of the S151 Officer that the only way to address the projected deficit is to remove as a minimum £1,000,000 of staff costs from the organisation by no later than 31 March 2008.

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It is hoped that the majority of this can be achieved by reviewing the need for currently vacant posts and where possible redeploying 'at risk' staff into available vacancies. This process will be led by the Human Resources team.

9. Even after taking in to account £1,000,000 of savings a further deficit of £822,724 will remain which will have to be met from on-going stringent base budget reviews and recruitment restrictions as well as a council wide review of discretionary/statutory service provision.
10. The Full Council meeting to set the Council Tax is scheduled for 14 February 2008, however Essex Police Authority have delayed their meeting until the afternoon of 18 February 2008. Consequently Full Council needs to be moved to the evening of Tuesday 19 February 2008.

Recommendations

11. It is recommended that Members note:
 - a. the forecast budget deficit
 - b. the position in respect of Reserves and Balances
 - c. the Section 25 of the Local Government Act 2003 position in respect of Balances and Reserves
 - d. the outstanding requests for costs from BAA and the impact on the budget if successful
 - e. the need to reduce staff costs

It is also recommended that Members:

- a. instruct Directors and Heads of Division to seek additional income from Fees and Charges,
 - b. Re-consider the proposed Council Tax increase of 3.5% for 2008/09.
12. It is recommended that Members agree to move the next meeting of Full Council to Tuesday 19 February 2008.

Background Papers Background Papers

20 September 2007 Finance & Administration MTFs report, 2007/08 and 2008/09 budget working papers, Budget Book, and budgetary control reports.

Impact

Communication/Consultation	Appropriate communication with the public and other stakeholders will take place regarding the Council's budget position
Community Safety	There are no specific community safety implications contained in this report
Equalities	There are no specific equalities implications contained in this report
Finance	This report deals with the whole of the General Fund Budget

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Human Rights	There are no specific human rights implications contained in this report
Legal implications	Legal implications of any of the actions proposed in this report will be considered
Ward-specific impacts	There are no specific ward implications contained in this report
Workforce/Workplace	All staff are being kept informed about the Council's budget position. The union has been consulted.

Situation

13. The September 2007 review of the Medium Term Financial Strategy (MTFS) identified that the forecast deficit for 2008/09 was £1,426,085 which was an increase from the initial MTFS due to the ongoing effect of the ongoing staff turnover over-provision, the ongoing shortfall from the loss of reserves planned for future use, offset by one-off additional funding from the County Council for waste.

14. A full position statement for the current forecast for the 2008/09 deficit is shown below:

	£
Original forecasted deficit as per MTFS report September 2007	1,426,085
Add known new challenges	
Shortfall on the pension deficit payments (Actuary).	117,060
Shortfall on the pension contributions for added years, pension strain and pension changes from April 2008.	147,300
projected shortfall on budgeted investment income (from MTFS)	178,000
budget consequences of known increases	100,000
G2 funding provision	<u>500,000</u>
	<u>1,042,360</u>
	2,468,445
Less known reductions	
Head of Division on-going savings	245,721
Reserve replenishment not done	200,000
One off spending pressures not allowed	<u>200,000</u>
	<u>645,721</u>
Revised deficit forecast	<u><u>1,822,724</u></u>

15. It should be noted that the round of voluntary redundancies and early retirements undertaken in October 2007 identified £200,000 of on-going savings. This has not been included in the above figures as it is likely there will be some additional salary costs as a result of any possible resulting restructures.

16. Fees and Charges.

As reported at the September meeting of Finance and Administration Committee, the MTFs has assumed that all discretionary Fees and Charges will increase, as a minimum in line with inflation over the period. In the light of the deficit shown in paragraph 14 above, it is crucial that the Council instructs Directors and Heads of Divisions to report to the January cycle of Committees with proposals to raise additional income from fees and charges.

17. The Council has approved a 3.5% Council Tax increase for 2008/09 as part of the MTFs. Each 1% increase produces around an additional £40,000 per annum. Early indications from the Government show that they are looking increases to be well below 5% if authorities are not to be subject to the Capping regulations. Members need to consider whether the proposed 3.5% Council Tax increase is sufficient, balanced against the risk of capping and the associated additional costs to the Council if the Government enforces the regulations.

18. Last Thursday the Department of Communities and Local Government announced the provisional grant settlement for the next 3 years. This Council's Settlement for the last 4 years is summarised below:

	Revenue Support Grant £	Non Domestic Rates £	Total £	Increase %
2005/06	1,586,593	2,022,872	3,609,465	-
2006/07	632,253	3,285,677	3,917,930	8.546
2007/08	573,036	3,414,572	3,987,608	1.778
2008/09	496,791	3,568,608	4,065,481	1.953

The Settlement states that the grant "floor" for shire district councils will be 1% in 2008/09 and 0.5% in 2009/10 and 2010/11. This Council's 2007/08 Formula Grant has been adjusted from £3,987,608 to £4,025,228. The Formula Grant for 2008/09 has been calculated on a 1% increase over the adjusted 2007/08 figure of £4,025,228, which gives an additional £40,252. In cash terms the increase for 2008/09 over 2007/08 is £77,873. For years 2009/10 and 2010/11 the increase in grants will be £20,327 and £20,429 respectively.

The MTFs allowed for a 1% increase in Formula Grant.

Risk Analysis

Risk	Likelihood	Impact	Mitigating Actions
That action taken is insufficient to reduce the projected budget deficit	Medium despite the Council and SMB taking strong action	High as there are no available Reserves or Balances	