

Charnwood Borough Council

Summary of Draft 2008/09 General Fund and HRA Budget Report and Service Delivery Plans

You will have received the full version of the above which is open for consultation until 31 January 2008. As that report runs to 23 pages the purpose of this summary is to help that consultation by highlighting the main points.

The Council has to prepare a budget every year and this is used to allocate available funds to the Council's various services and set the level of Council Tax. The budget is split between the General Fund, which covers all the Council's functions except the operation of its Council houses, and the Housing Revenue Account (HRA) which covers most of its housing functions.

Should you have any comments on the draft budget please send them to Geoff Parker, Deputy Chief Executive, at geoff.parker@charnwood.gov.uk or by post to him at Charnwood Borough Council, Southfield Road, Loughborough, LE11 2TU by 31 January 2008. The final Budget for 2008/09 will be submitted to Council for approval on 25 February 2008.

Approach to the 2008/09 Budget

At present the Council, in partnership with Rushcliffe Borough Council, is in negotiation with two potential shared service providers in respect of the future provision of Finance, Human Resources ('HR'), Information & Communication ('ICS') and Revenue & Benefits services. The Council is also in discussion with North West Leicestershire District Council regarding the possibility of sharing Property Services.

A brief summary is set out below of the alternative scenarios available to the Council.

- Option 1 – the Council continues to operate as it does at present.
- Option 2 – the Council proceeds with shared services as set out above.
- Option 3 – assumes that the Council does not proceed with shared services but makes savings in back office costs for the services affected to offset the loss of shared services savings.

Table 1 – Effects of Options 1 to 3 above.

	Option 1	Option 2	Option 3
	£'000s	£'000s	£'000s
Net Expenditure before Pressures and Savings	17,790	17,790	17,790
Net Recommended Pressures and Savings	1,186	1,118	1,118
Shared Services Savings, General Fund only	0	(504)	0
Savings Proposed without Shared Services	0	0	(360)
	18,976	18,404	18,548
Contribution to/(from) Working Balance	(274)	298	154
Working Balance at end of March 2009	815	1,387	1,243

'Pressures' are requirements from services for extra funds due to changes in circumstances and these can be for one year only or continuing. The pressures and savings are set out in appendices 1 to 8 of the main report.

The 'Working Balance' is the Council's main reserve.

For Option 3 there would be an associated cost, due to redundancies etc, amounting to an estimated £336K and potential reductions in the quality of services provided.

As negotiations are still continuing regarding shared services and no firm commitments have been made, the budget for 2008/09 is based on Option 1, the "as is" option.

Draft Budget 2008/09

Table 2 – Draft Budget 2008/09

Detail	2007/08 Revised Budget	2008/09 Original Budget	Variance
	£000s	£000s	£000s
Total Borough Expenditure	20,017	19,799	-218
Less Contribution from Reserves	-2,527	-823	1,704
Contribution to/(from) the Working Balance	138	-274	-412
Funded from Grants and Council Tax as below:	17,628	18,702	1,074
Central Government Grants and Redistributed Non-Domestic Rates - Note	11,579	12,355	776
Council Tax receipts	4,974	5,149	175
Loughborough Special Levy	976	1,160	184
Other	99	38	-61
Total Funding	17,628	18,702	1,074
	£p	£p	£p
Base Borough Council Tax	94.87	97.25	2.38
Loughborough Special Levy	60.12	70.74	10.62

Note: Non-domestic rates (Business rates) are collected by the Council and then paid over to Central Government. They are then redistributed across the country by the Government. Loughborough Special Levy funds activities carried out by the Council in its capacity as the 'town council' of Loughborough.

The provisional Grant settlement from the government, on a like for like basis, was an increase of 2.9%, which equates to a cash increase of 3.6% plus £354k to help fund the new national Concessionary Travel scheme. The Council Tax is an increase of 2.5% on 2007/08. Each additional 1% in Council Tax produces approximately £49k.

Included in the Total Borough Expenditure figure of £19,799k are net savings of £437k, described as Memorandum savings in Table 4 below. These items do not require

approval as they have either already been subject to Cabinet approval or do not result in any changes to service levels.

Table 2 includes the recommended Pressures and Savings, totalling £1,186k, as summarised by Directorate in Tables 3 and 4 of the main report. Appendices 1- 8 of the main report show the details of the Service Pressures and Savings. Only recommended pressures and savings have been included in the draft 2008/09 Budget.

Provision for inflation at rates deemed appropriate to the relevant goods, services or income is also included. Staffing costs allow for the April 2008 estimated salary award and a slight decrease in employer costs to reflect the levelling off of pension contributions.

Loughborough Special Levy

Appendix 9 of the main report shows the current estimated position of the Loughborough Special Expenses for 2008/09.

This will require a change to the definition of the expenses included with the special expenses to exclude Open Spaces and Footpaths. This is in line with the trend for the Borough Council to maintain areas of open space on new housing estates, for which a contribution from the housing developer has been received. However, the matching of this receipt to the actual expense is impossible in practical terms and the expenses, and income, need to fall within the General Fund expenses.

The proposed limit of £1,160k may change after the final grant settlement is received. There are also savings anticipated in the year 2007/08 and these have been brought into the calculation, in line with the precedent of having notional surpluses and deficits, which was established some years ago. The change in definition will require a Council resolution to that effect.

The estimated Loughborough Special Rate would be £70.74 which is a 17.6% increase.

Reserves and Balances

There is a requirement to ensure that the level of balances is appropriate for the Council's commitments and current level of expenditure. The primary one is the Working Balance.

The recommended minimum Working Balance is £1m, based on the net revenue expenditure of the Council. The draft budget would result in the balance on this fund at the end of March 2009 being £815k which is £185k below this limit. However, of the recommended pressures included in this draft budget there are £535k of one-off pressures and therefore if a 'neutral' budget is set for 2009/10 the Working Balance would stand at £1,350k. Accordingly this one year shortfall on the Working Balance is acceptable.

Should this draft budget be approved, total Revenue balances at the end of March 2009 would be £4,146k compared to £6,036k at the end of March 2008, a decrease of £1,890k. In addition to the contributions of £823k and £274k shown in Table 2 above, the £1,890k includes a provision of £533k for two years back pay following job evaluation and net transfers to reserves as a result of decisions already taken of £260k.

Housing Revenue Account

In order to improve services, increase efficiency, implement Decent Homes and deliver Corporate Objectives, the Council has launched an Arms Length Management Organisation, Charnwood Neighbourhood Housing Limited ('CNH'), to manage the majority of its housing functions. CNH commenced operation on 1 December 2007 and so the HRA budgets for 2008/09 cover the residual housing functions retained by the Council plus the management fees paid to CNH to carry out its functions for the HRA. During its first two years of operation, CNH is contracted to take the majority of its support services from the Council. Accordingly, these charges are reflected in the Council's budget for the year.

The final determination, which controls the calculation of subsidy, capital charges and rental increase in the HRA, will not be notified by the Government until on or after 14 January 2008. Accordingly, this draft budget has been prepared using assumptions for those items. Recommended pressures and savings, which are listed in Appendix 10, are included in this budget as well as the anticipated management charge from CNH.

The budget assumes an average 5% increase in dwelling rents and produces a surplus of £104K for 2008/09, leaving a balance of £434k at 31 March 2009, which equates to £74 per dwelling. The target level for this balance is £110 per dwelling.

Table 3 – Draft HRA 2008/09 Budget

	2007/08 Revised Budget	2008/09 Original Budget	Variance
	£'000s	£'000s	£'000s
Expenditure			
Supervision and Management	4,757	0	-4,757
Repairs & Maintenance, including management	5,050	0	-5,050
CNH Management Fee	0	9,597	9,597
Housing & Health – retained services	0	957	957
Service Pressures	0	128	128
Service Savings	0	-282	-282
Depreciation	3,686	3,686	0
Other Expenditure	150	152	2
Expenditure sub-total	13,643	14,238	595

	2007/08 Revised Budget	2008/09 Original Budget	Variance
	£'000s	£'000s	£'000s
Income			
Gross Rental Income from Dwellings	15,427	15,840	-413
Rent from Shops, Land and Garages	319	330	-11
Warden Service Charges	589	592	-3
Other Charges	376	414	-38
HRA Subsidy – 2008/09	-6,107	-6176	69
Major Repairs Allowance	3,539	3,539	0
Income sub-total	14,143	14,539	-396
Net Cost of Services	-500	-301	199
Other Transfers and Interest	359	346	-13
Net Operating Expenditure/(Income)	-141	45	186
Transfer from Major Repairs Reserve	-149	-149	0
Surplus for the Year	-290	-104	186
Balance at Beginning of Year	-155	-330	-175
(Surplus)/Deficit for the Year	-290	-104	186
Job Evaluation - Back Pay Accrual	115	0	-115
Balance at end of Year	-330	-434	-104

Should Shared Services proceed, as outlined above, then there would be a full year saving of £68k to the HRA as the cost of support services to both CNH and the residual housing functions in the authority would reduce by this amount.

Service Delivery Plans

The Council's Service Delivery Plans set out how each Directorate of the Council will deliver its commitments within the Corporate Plan and deliver its corporate priorities within its financial and other constraints in order to provide excellent services to the residents of Charnwood.

The Service Plans have been developed by incorporating; responses to consultation work carried out throughout the year, our use of existing resources, continuous improvement in our performance, risk management, on-going communication, cross cutting issues, value for money and improving the Council's Customer Service Standards.

The draft Service Delivery Plans, which can be viewed on the Council's web site at www.charnwood.gov.uk, contain various templates that set out each service's plans, the resources they require, risks, performance reviews, efficiencies, equalities, communication and the impact of CNH.