

BABERGH DISTRICT COUNCIL

FROM: Head of Finance

REPORT NUMBER

G186

TO: Overview and Scrutiny
(Stewardship) Committee and
Overview and Scrutiny
(Community Services)
Committee

DATE OF MEETING

29 January 2008
5 February 2008

BUDGET SCRUTINY

1. **PURPOSE OF REPORT**

- 1.1 The Committees are invited to scrutinise the draft budgets, which were approved by the Strategy Committee on 10 January - Papers G169 and G173 refer.

2. **RECOMMENDATIONS**

- 2.1 The Committees are recommended to scrutinise the draft budgets (as updated by this report) and advise the Strategy Committee, which meets again on 7 February, whether any amendments should be made before approval by the Council on 22 February.

Strategy Committee will have regard to the views of the Overview and Scrutiny Committees in making final recommendations to Council.

3. **FINANCIAL IMPLICATIONS**

- 3.1 These budgets determine how much will be paid by Council Taxpayers and Council House tenants for services provided for them in 2008/09. The proposed Council Tax increase is based on the headline RPI rate of inflation of 3.9% in September 2007, which would again achieve the Council's aim on limiting increases to no more than inflation.
- 3.2 On Council Housing, the rent increase is determined by the Government's rent restructuring requirements. Changes have arisen on this since the Strategy Committee meeting resulting in an average rent increase of 6.6% next year. Details are set out in the report.
- 3.3 On the General Fund Budget, it is recognised that it may be difficult, due to low increases in Government grant and cost pressures, to achieve Council Tax increases at or below inflation in future years.

4. **RISK MANAGEMENT**

- 4.1 Details are set out in section 4 of the papers (and in Appendix C of Paper G169) that were considered by the Strategy Committee on 10 January.

5. KEY INFORMATION

Background

- 5.1 There is a requirement in the Constitution for the Overview and Scrutiny Committees to scrutinise the draft budgets proposed by the Strategy Committee and ensure that they reflect the Council's priorities and approved policies.
- 5.2 The Overview and Scrutiny (Stewardship) Committee is asked to scrutinise Paper G169 on the 2008/09 Budget and Financial Strategy for future years. (Pages 11 and 12 of Appendix A have been adjusted to reflect the figures tabled at the Strategy Committee meeting on 10 January.)
- 5.3 The Overview and Scrutiny (Community Services) Committee is also asked to scrutinise Paper G169, as well as Paper G173 relating to the Council Housing Revenue Budget and Capital Programme.
- 5.4 **The Committees are not asked to comment on the issue of the Council's future financial strategy, as this will require further consideration once the 2008/09 budget has been approved.**
- 5.5 The draft General Fund Budget reflects the considerable amount of work which has been carried out by the Service and Financial Planning (SFP) Group and reflects the recommendations of the joint meeting of the two Overview and Scrutiny Committees on 11 December 2007 on the additional expenditure, efficiencies, savings and income that should be included in the budget next year.
- 5.6 It was made clear at Strategy Committee that no provision has been included in the budget for any additional costs relating to Local Government Review or any contribution (likely to be of a capital nature) towards University Campus Suffolk.

General Fund (Paper G169)

- 5.7 The Strategy Committee were happy with the draft budget proposals and the proposed Council Tax increase for 2008/09 of 3.9% as recommended by the SFP Group and the joint meeting.
- 5.8 The following key aspects are highlighted to assist Members in scrutinising and commenting on the draft budget:
- The changes to the draft budget that are reflected in Paper G169 (summarised in the table in para. 5.8) compared to Paper G158, which the two Overview and Scrutiny Committees considered on 11 December 2007
 - Housing and Planning Delivery Grant (para. 5.18)
 - Revenue Budgets and Capital Programme, including recommendation 2.2 (Appendix A)
 - Review of Charges (para. 5.20 and Appendix B)
 - Budget Risk Assessment (Appendix C)
 - The position on Reserves (paras. 5.24 to 5.30)
- 5.9 The following matters are brought to the attention of the Committees in relation to the General Fund Budget:

- Planning Fees and Planning Delivery Grant

The statutory fees for planning applications have not been increased since 2005. The Government are proposing average increases of 23% from April 2008, which includes an 11% increase for domestic applications. The draft budget only assumes a 5% increase in income. Given the uncertainty of the economy, it is suggested that a cautious approach is taken to allowing for any additional fee income in 2008/09 and that an overall increase of only 10% is sensible, which would generate a further £20,000.

However, given the uncertainty on the planning element of the new Housing and Planning Delivery Grant, there should be a compensating reduction in the budget assumption for this (reduce from £50,000 to £30,000)

- Capital Programme

The draft capital programme includes a **provisional non-committed** allowance for potential expenditure on a Hadleigh Pool/Leisure facilities project, including a sum of £493,000 in 2008/09. However, any decision on the project will not be made until towards the end of 2008 and it is unlikely that this much would be spent next year. An appropriate adjustment should be made and included in the final budget proposals submitted to Strategy Committee on 7 February. The Strategy Committee will also have to agree what overall financial provision should be shown.

Paper G158, considered by the joint Overview and Scrutiny Committees on 11 December, made reference to the potential expansion of facilities at the Kingfisher Leisure Centre during 2008/09. Detailed proposals from South Suffolk Leisure Trust will set out the business case on the basis of additional income generation and no annual revenue cost to the Council. As with the Hadleigh Pool, a provisional non-committed sum should be included in the capital programme to enable the Council to proceed, should the business case be approved. Further details will be reported to the meeting.

- 5.9 The Committees are asked to note the above changes and also to decide what further amendments, if any, should be made to the draft budgets, advising the Strategy Committee accordingly.

Council Housing (Paper G173)

- 5.10 The Overview and Scrutiny (Community Services) Committee is asked to scrutinise and comment on any aspects of the draft revenue budgets and capital programme.

- 5.11 Since the Strategy Committee, the Government's final Housing Subsidy proposals have been received. Key aspects are:

- There has been no improvement in maintenance and major repairs allowances
- The Government have removed the cap on rent increases that has applied in recent years
- As a result, the average rent increase for tenants will be 6.6% next year, which is higher than that previously anticipated of 5.2%

- That will produce additional rent income of £100,000 in 2008/09, which can be used to offset the reduction in the revenue contribution to the capital programme (Line 14 of Appendix A to Paper G173).

5.12 The Housing Panel considered the paper and the above changes on 18 January. They accept and support the resulting draft budget proposals but highlighted the use of capital receipts issue.

5. **APPENDICES**

None

6. **BACKGROUND PAPERS REFERRED TO**

None.

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