

#### AUDIT COMMITTEE 23 SEPTEMBER 2008

# BUDGET SETTING PROCESS

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### Agenda



- Background
- Government grant
- Budget strategy
- Budget assumptions
- Savings strategy and options
- Council Tax

#### Background



- Bury plans to spend £405.5m in the current year
- Of this some £273.0m is funded from income from fees and charges
- The balance of £132.5m is funded from government grant of £63.2m and Council Tax of £69.3m
- How do we prepare a budget that balances?

#### Settlement Figures



 Good news is that we can now plan ahead for three years. Bury's grant position and comparison with other authorities looks like this:

	2008/09	2009/10	2010/11
Bury	3.4%	2.6%	2.3%
Greater Manchester	4.2%	3.1%	2.5%
Met districts	4.1%	2.9%	2.5%
London boroughs	2.4%	2.0%	1.8%
Shire districts	1.7%	1.4%	1.3%
England	3.6%	2.8%	2.6%

#### The Budget Challenge



- Hot spots in 2008/09 budget mainly in services for adults with Learning Disabilities/Physical Disabilities
- New service pressures
- Results of the pay and grading review
- Other unavoidable cost increases
- Need for a sustainable, balanced budget
- Demonstrate priority-led approach

#### The Budget Strategy



- Produce a balanced budget!
- Reduce the reliance on one-off options
- Set a Council Tax increase within the capping criteria
- Increase the minimum level of balances if indicated by our risk assessment process
- Re-allocate £1.9m in line with Council priorities
- Ensure savings minimise impact on priorities

#### The Budget Formula



- Take current year's budget plus one-offs
- Add on the cost of inflation based on certain assumptions (pay, prices, income)
- Add on the impact of unavoidable cost increases
- Add on the effects of the Capital Programme
- Identify funding for priorities
- Assess the additional income from Formula Grant and Council Tax
- Identify the gap and determine options for meeting it

#### Assumptions 2008/09



- Very modest assumptions made:
  - Pay 2.0% (£2.6m), prices 2.0%(£3.2m), income 3.0% (-£2.1m)
  - Unavoidable growth only (£0.598m)
  - Add back £1.0m of one-off options from 2007/08
- Waste 5.7% (£0.6m); Transport 4.0% (£0.4m)
- Meet the Golden Rules
- £1.9m contribution towards priorities
- £0.5m of windfall grant to go towards Job Evaluation
- Police precept +7.5%; Fire precept +3.5%
- Council Tax rise of 5% (Bury element)

## Budget Summary 2008/09



 The figures below summarise the position assuming a 5% increase in the Council Tax

<ul> <li>Standstill Net budget</li> </ul>	£136.217m
<ul><li>Less Grant/Council Tax</li></ul>	<u>-£133.402m</u>
<ul><li>Budget gap</li></ul>	£2.815m
<ul> <li>Add windfall to PIR re JE</li> </ul>	£0.500m
<ul> <li>Add Contribution to PIR</li> </ul>	£1.900m
- TOTAL TO BE FOUND	£5.215m

## **Budget Summary**



- 2009/10 Deficit of £7.9m
- 2010/11 Deficit of £9.4m
- 2011/12 Deficit of £8.6m
  - Assumes each year balanced and Golden Rules met
  - Assumes efficiency savings used to fund new spending towards priorities. If not then take £1.9m off deficits
  - No funding for new pressures beyond efficiency savings
  - No Tax rise assumed at this stage. In 2009/10 each 1% rise will bring in £0.7m

#### Savings Strategy



- Starting strategy involves identifying savings that are:
  - On-going
  - Sustainable
  - Based around efficiencies, maximising income, optimising use of grants, minimising provision for inflation
- Golden Rules require no reliance on one-off savings options by 2010/11

#### Council Tax



- Government have made clear that they will look to cap 'excessive' Council Tax rises (5%)
- Each 1% rise in Bury's Tax brings in £669,000 of extra income
- Working assumption is for a rise of between 0% and 5%
- A rise of 5% in our headline rate will mean an additional £1.24 per week for a Band D property or 83p a week for a Band A property

#### **Budget Timetable**



- A copy of the draft 2009/10 timetable has been circulated for illustration
- Main decisions for 2009/10 budget will be taken at a special meeting of the Council on 25<sup>th</sup> February 2009

