

**AUDIT COMMITTEE
23 SEPTEMBER 2008**

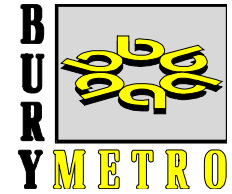
BUDGET SETTING PROCESS

Mike Owen

**Director of Finance & E-
Government**

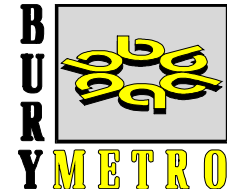


Agenda



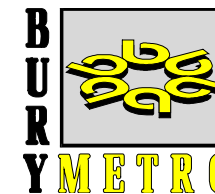
- Background
- Government grant
- Budget strategy
- Budget assumptions
- Savings strategy and options
- Council Tax

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?

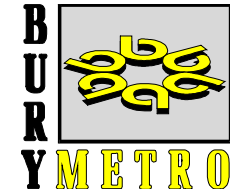
Settlement Figures



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

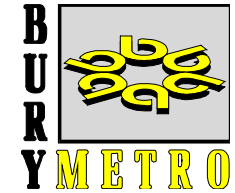
	2008/09	2009/10	2010/11
Bury	3.4%	2.6%	2.3%
Greater Manchester	4.2%	3.1%	2.5%
Met districts	4.1%	2.9%	2.5%
London boroughs	2.4%	2.0%	1.8%
Shire districts	1.7%	1.4%	1.3%
England	3.6%	2.8%	2.6%

The Budget Challenge



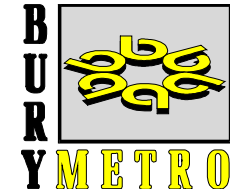
- Hot spots in 2008/09 budget – mainly in services for adults with Learning Disabilities/Physical Disabilities
- New service pressures
- Results of the pay and grading review
- Other unavoidable cost increases
- Need for a sustainable, balanced budget
- Demonstrate priority-led approach

The Budget Strategy



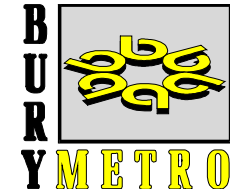
- Produce a balanced budget!
- Reduce the reliance on one-off options
- Set a Council Tax increase within the capping criteria
- Increase the minimum level of balances if indicated by our risk assessment process
- Re-allocate **£1.9m** in line with Council priorities
- Ensure savings minimise impact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

The Budget Formula



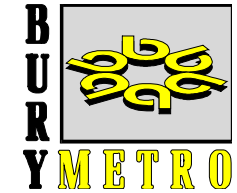
- Take current year's budget plus one-offs
- **Add** on the cost of inflation based on certain assumptions (pay, prices, income)
- **Add** on the impact of unavoidable cost increases
- **Add** on the effects of the Capital Programme
- **Identify** funding for priorities
- **Assess** the additional income 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)

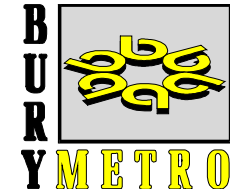
Budget Summary 2008/09



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

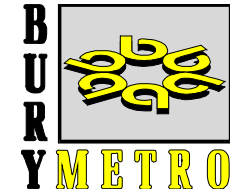
– Standstill Net budget	£136.217m
– Less Grant/Council Tax	<u>-£133.402m</u>
– Budget gap	£2.815m
– Add windfall to PIR re JE	£0.500m
– Add Contribution to PIR	<u>£1.900m</u>
– TOTAL TO BE FOUND	<u>£5.215m</u>

Budget Summary



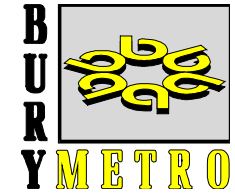
- 2009/10 Deficit of **£7.9m**
- 2010/11 Deficit of **£9.4m**
- 2011/12 Deficit of **£8.6m**
 - Assumes each year balanced and Golden Rules met
 - Assumes efficiency savings used to fund new spending towards priorities. If not then take £1.9m off deficits
 - No funding for new pressures beyond efficiency 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 **25th February 2009**

