

# Report to the Council

Committee: Cabinet

Date: 17 February 2009

Portfolio Holder: Councillor C Whitbread

Item: 11

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## 1. BUDGETS AND COUNCIL TAX DECLARATION 2009/10

Recommending:

**Budget**

- (1) That the list of CSB growth for the 2009/10 budget (set out in Annex 1) be approved;
- (2) That the list of District Development Fund items for the 2009/10 budget (set out in Annex 2) be approved;
- (3) That the revenue estimates for 2009/10 and the draft Capital Programme for 2009/10 be approved as set out in Annexes 3, 4 (a-k) and 5 including all contributions to and from reserves as set out in the attached Annexes;
- (4) That the medium term financial forecast be approved as set out in Annexes 8 a and 8 b;
- (5) That the 2009/10 HRA budget be approved and that the application of rent increases and decreases in accordance with the Government's rent reforms and the Council's approved rent strategy, resulting in an average increase of 4% from £72.61 to £75.52, be approved.

**Declaration of Council Tax**

(6) That it be noted that on 10 November 2008, the Finance and Performance Management Portfolio Holder in consultation with the Chairman of the Overview and Scrutiny Committee calculated the following amounts for the year 2009/10 in accordance with regulations made under Section 33(5) and 34(4) of the Local Government Finance Act 1992:

(a) 54,178.8 being the amount calculated by the Council in accordance with Regulation 3 of the Local Authorities (Calculation of Council Tax Base) Regulations 1992 as the Council Tax Base for the year;

(b) Part of the Council's Area	Tax Base
Essex County Council (General Expenses)	54,178.8
Essex Police Authority	54,178.8
Essex Fire Authority	54,178.8
Epping Forest District Council (General Expenses)	54,178.8
Abbess, Beauchamp & Berners Roding	204.0
Buckhurst Hill	5,261.9
Chigwell	5,966.5
Epping Town	5,032.8

Epping Upland	410.2
Fyfield	413.4
High Ongar	556.0
Lambourne	932.9
Loughton Town	12,882.6
Matching	326.9
Moreton, Bobbingworth and The Lavers	660.1
Nazeing	2,094.8
North Weald Bassett	2,584.3
Ongar	2,747.7
Roydon	1,311.4
Sheering	1,361.7
Stanford Rivers	355.5
Stapleford Abbotts	483.6
Stapleford Tawney	55.4
Theydon Bois	1,963.4
Theydon Garnon	66.0
Theydon Mount	110.4
Waltham Abbey Town	8,153.5
Willingale	243.8

being the amounts calculated by the Council in accordance with Regulation 6 of the Regulations as the amounts of the Council Tax Base for the year for dwellings in those parts of the area to which one or more special items relate;

(7) That the following amounts be now calculated for the year 2009/10 in accordance with sections 32 to 36 of the Local Government Finance Act 1992:

- (a) £109,197,341 being the aggregate of the amounts which the Council estimates for the items set out in Section 32(2) (a) - (e) of the Act;
- (b) £88,943,518 being the aggregate of the amounts which the Council estimates for the items set out in Section 32(3) (a) - (c) of the Act;
- (c) £20,253,823 being the amount by which the aggregate at (a) above exceeds the aggregate at (b) calculated by the Council in accordance with Section 32(4) of the Act as its budget requirement for the year;
- (d) £9,368,289 being the aggregate of the sums which the Council estimates will be payable for the year into its General Fund in respect of redistributed Non Domestic Rates and Revenue Support Grant and increased by the amount the Council estimates will be transferred in the year from its Collection Fund to the General Fund in accordance with Section 97(3) of the Local Government Finance Act 1988 and the amount which the Council estimates will be transferred from the Collection Fund to the General Fund pursuant to the Collection Fund (Community Charges) (England) Directions 1994 made under Section 98(4) of the Local Government Finance Act 1988;
- (e) £200.92 being the amount at (c) above, less the amount at (d) above, all divided by the amount at (6)(a) above, calculated by the Council in accordance with Section 33(1) of the Act as the basic amount of its Council Tax for the year;
- (f) £2,942,351 being the aggregate amount of all special items referred to in Section 34(1) of the Act;
- (g) £146.61 being the amount at (e) above, less the result given by dividing the amount at (f) above by the amount of (6)(a) above, calculated by the

Council in accordance with Section 34(2) of the Act as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no special item relates;

<b>(h) Part of the Council's Area</b>	<b>Amount £</b>
Abess, Beauchamp & Berners Roding	171.12
Buckhurst Hill	215.86
Chigwell	181.87
Epping Town	226.09
Epping Upland	190.37
Fyfield	168.14
High Ongar	170.89
Lambourne	178.62
Loughton Town	195.33
Matching	173.59
Moreton, Bobbingworth and The Lavers	163.27
Nazeing	177.66
North Weald Bassett	193.15
Ongar	203.32
Roydon	168.15
Sheering	167.10
Stanford Rivers	175.30
Stapleford Abbotts	159.94
Stapleford Tawney	170.78
Theydon Bois	184.67
Theydon Garnon	161.31
Theydon Mount	160.26
Waltham Abbey Town	238.40
Willingale	163.09

being the amounts given by adding to the amount at (7)(g) above the amounts of the special item or items relating to dwellings in those parts of the Council's area mentioned above divided in each case by the amount at (6)(b) above, calculated by the Council in accordance with Section 34(3) of the Act as the basic amounts of its Council Tax for the year for dwellings in those parts of its area to which one or more special items relate;

(i) the amounts shown in Annex 6 to this report, being the amounts given by multiplying the amounts at (7)(h) above by the number which is the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band, divided by the number which in that proportion is applicable to dwellings listed in valuation band D, calculated by the Council in accordance with Section 36(1) of the Act as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands;

(8) That it be noted that for the year 2009/10 the major precepting authorities have stated that the amounts shown in Annex 7 Part A (tabled) are the precepts issued to the Council in accordance with Section 40 of the Local Government Finance Act 1992 for each of the categories of dwellings shown;

(9) That, having calculated the aggregate in each case of the amounts at (7)(i) and (8) above, the Council in accordance with Section 30(2) of the Local Government Finance Act 1992 hereby sets the amounts in Annex 7 Part B (tabled) as the amounts of Council Tax for the year 2009/10 for each of the categories of dwellings shown;

**(10) That the Council's policy of retaining revenue balances at no lower than £4.0M or 25% of the net budget requirement whichever is the higher for the four year period to 2011/12 be amended to no lower than £4.0M or 25% of the net budget requirement whichever is the higher during the four year period up to and including 2012/13;**

**(11) That the recommendations included in the report on the Prudential Indicators and the Treasury Management Strategy for 2009/10 (set out in Annex 9) be approved; and**

**(12) That the report of the Chief Financial Officer on the robustness of the estimates for the purposes of the Council's 2009/10 budgets and the adequacy of the reserves (see Annex 10) be noted.**

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### General Fund Budget Guidelines

1. The annual budget process commenced with the Financial Issues Paper being presented to the Finance and Performance Management Cabinet Committee on 22 September 2008. The paper was prepared against a background of a worsening economic situation and highlighted the uncertainties associated with:
  - a) The "Credit Crunch" and reduced housing market activity
  - b) Taking forward Safer, Cleaner, Greener and Waste Management
  - c) Future provision of leisure facilities in Epping and Waltham Abbey
  - d) Pay disputes and utility costs
  - e) Need to obtain annual approval for capitalisation of pension deficit payments
  - f) Introduction of nationwide concessionary fares scheme
  - g) Customer Services Transformation Programme
2. There is now greater clarity on most of these issues, although this has been achieved very recently for some of the items. The key areas are revisited in subsequent paragraphs.
3. In setting the budget for the current year Members had anticipated adding £218,000 to general fund reserves. Despite the general fund balance already being above the established guideline of 25% of the Net Budget Requirement, it was felt prudent to maintain tight control over costs and further strengthen the Council's financial position.
4. The revised four year forecast presented with the Financial Issues Paper took into account all the additional costs known at that point but highlighted that in the areas of leisure and waste management it was clear that growth would be required but it was not possible at that time to calculate a meaningful figure. This projection showed a need to achieve savings of £100,000 on the 2009/10 estimates and £200,000 per annum in future years to keep revenue balances above the target level at the end of 2011/12.
5. Members adopted this measured approach to reduce expenditure in a progressive and controlled manner. It was felt that a reduction was needed in the budget figures for 2009/10 as the first step in this process, followed by further savings in 2010/11.
6. The budget guidelines for 2009/10 were therefore established as:
  - The ceiling for CSB net expenditure be no more than £17.6m including net growth/savings;
  - The ceiling for DDF net expenditure be no more than £270,000; and
  - The District Council Tax be increased by no more than 2.5%.

7. In view of the worsening economic climate and the clearer cost increases coming through on leisure and waste management and the slippage in the DDF programme, these guidelines were revised by the 8 December meeting of this committee. The target for the Council Tax increase was unchanged but the other guidelines were amended to:
- The ceiling for CSB net expenditure be no more than £17.9m including net growth/savings; and
  - The ceiling for DDF net expenditure be no more than £700,000.

#### The Current Position

8. The draft General Fund budget summaries are attached as annexes 4a to 4k. The main year on year resource movements are highlighted in the CSB Growth and DDF lists, which are attached as Annexes 1 and 2. In terms of the guidelines, the position is set out below.

#### The ceiling for CSB net expenditure be no more than £17.9m including net growth:

9. Annex 1 lists all the CSB changes for next year. Some of the growth items listed are for sums agreed as part of previous year's budgets but most are new for next year. The largest item for next year is £217,000 for the reduction in interest earnings resulting from the substantial reductions seen in interest rates.

#### The "Credit Crunch" and Reduced Housing Market Activity

10. The annual reduction in income from Land Charges still appears likely to be £250,000. However, the original 50/50 split between CSB and DDF has been revisited and the £125,000 that had been included as CSB growth has been increased to £175,000. Income for Development Control is in line with the original estimates for 2008/09 and this is expected to be maintained. The ring-fenced Building Control Account has seen a reduction in income but this is being addressed through a reduction in the use of consultants and a fee increase of 8% is proposed for 2009/10.
11. Interest income has benefited in 2008/09 from market volatility and £264,000 of additional income is being credited to the DDF. Unfortunately this position changes significantly for future periods. At the time of writing the Financial Issues Paper the base rate had been stable at 5% for 6 months, however October saw a reduction to 4.5% followed by moves to 4% in November, 2% in December and 1.5% in January. Further falls are anticipated, so although the Council has some protection through having £15million of the investment portfolio on long term deals it has still been necessary to allow for more than £200,000 of growth due to reduced interest earnings in 2009/10. Additional growth is also included in subsequent periods as the long-term deals expire and base rates are not anticipated to return to mid 2008/09 levels for some years.

#### Safer, Cleaner, Greener and Waste Management

12. The Safer, Cleaner, Greener initiative has taken time to implement and so some of the full year growth allowed for in 2008/09 has now slipped to 2009/10. The main growth under this heading now is in respect of the Waste Management Service. An external inspection of Waste Management further highlighted the need to re-examine collection methodologies and in particular how green and food waste are dealt with. The public have responded well to the provision of a green waste service but the popularity of the service created problems in terms of the volume of the material and the cost of the biodegradable sacks.
13. Following a detailed public consultation earlier in the year, the Council has worked in

partnership with the contractors and Essex County Council to develop a solution. The solution was agreed by Cabinet on 19 January and despite assistance from the County with both CSB and capital funding a combination of CSB, DDF and capital funding is also required from this Council. To implement the solution £150,000 of CSB growth has been included in 2009/10 with a further £150,000 in 2010/11.

#### Leisure Facilities in Epping and Waltham Abbey

14. The Cabinet meeting on 15 December agreed the terms under which the contract with SLM for the management of the Epping sports centre could be extended. Overall the annual management charge made by SLM for operating the Council's leisure centres will increase by £140,000, with a quarter of the growth being in 2008/09 and the remainder in 2009/10.
15. It was also decided at that Cabinet meeting to withdraw from the joint use arrangement for the Waltham Abbey sports centre. A notice period of one year has to be observed and so only part of the saving from this will arise in 2009/10. The benefit of the full annual saving of £270,000 should be seen in 2010/11. A feasibility study is being commissioned to consider the possibility of expanding the facilities available at Waltham Abbey swimming pool.

#### Pay Disputes and Utility Costs

16. Following the industrial action earlier in the year, the pay award for 2008/09 is now progressing through the arbitration process. The estimates for both 2008/09 and 2009/10 allow for pay awards of 2.475%. As the salary estimate for 2008/09 is £19.7 million the overall estimates are quite sensitive to changes in pay award assumptions. For every 1% the pay award is above 2.475% the Council's pay bill will increase by nearly £200,000. This is one key area where uncertainty persists but the assumptions made are believed to be prudent.
17. Significant growth has also been necessary for utility costs and an additional £112,000 is split between CSB and DDF over 2008/09 and 2009/10. The split between CSB and DDF reflects advice from the Office for Government Commerce that wholesale energy prices have reduced considerably from their peak.

#### Capitalisation of Pension Deficit Payments

18. Capitalisation directions were received from the Department for Communities and Local Government on 2 February for the full amounts applied for.

#### Concessionary Fares

19. The new national scheme commenced on 1 April 2008 and there has been widespread coverage of the overall extent of the underfunding of this scheme. In Essex the districts have negotiated with the bus operators to agree a reasonable settlement for 2008/09 and although there are appeals outstanding against the reimbursement for earlier years there are none for the current year. The Department for Transport has indicated that as part of the next Comprehensive Spending Review the responsibility for concessionary fares is likely to move to a county or regional basis. In anticipation of this change and to limit the financial risk to districts for the next two years, negotiations are underway to transfer responsibility for the scheme to Essex County Council.

#### Customer Services Transformation Programme

20. During the year a scrutiny panel re-considered the CSTP and their recommendations were made to Cabinet on 5 February. DDF money was made available for three years for additional resource to support the website, but a further detailed feasibility study

will be conducted before a CSTP is implemented. On that basis the CSTP remains in the Capital Programme but no other changes have been made to either CSB or DDF budgets.

21. The CSB total is £115,000 above the CSB target of £17.9m. However, Cabinet decided on 5 February that this was not significantly above the target and that a CSB total at £18.015m was acceptable.

The ceiling for DDF net expenditure be no more than £700,000

22. The DDF net movement for 2009/10 is £1.236m, Annex 2 lists all the DDF items in detail. The largest cost item is £432,000 for work on the Local Development Framework (LDF). The LDF is a substantial and unavoidable project and over the next four years DDF funding of £1.137m is currently allocated to it. The Director of Planning and Economic Development has been asked to provide regular updates to Cabinet to monitor this project and the expenditure incurred on it.
23. Other significant items of expenditure include £215,000 for waste management expenditure that will be necessary as part of the transition to the new collection methods. Remedial works to watercourses has a DDF budget in 2009/10 of £148,000, although this represents works that have been re-phased from earlier periods.
24. At £1.236m the DDF programme exceeds the target by £536,000. However, similarly to the position with CSB, this excess was felt to be acceptable by Cabinet. All of the DDF items currently programmed to the end of 2012/13 can be funded from within existing DDF resources. Recent experience has shown that there is usually substantial slippage on the DDF and so even if £1.236m were programmed, the outturn would be unlikely to exceed £1m.

The District Council Tax be increased by no more than 2.5%

25. For a number of years now Members have had a policy of restricting increases in Council Tax to less than the increase in the RPI. At the meeting of the Finance and Performance Management Cabinet Committee on 8 December 2008, Members amended this policy to one of increasing Council Tax by no more than 2.5%. The proposed increase is 2.5% and so complies with the amended target.

That longer term guidelines covering the period to March 2013 provide for:

- (i) The level of General Fund revenue balances to be maintained within a range of approximately £4.0m to £4.5m but at no lower level than 25% of net budget requirement whichever is the higher;*
26. Current projections show this rule will not be breached by 2012/13, by which time reserves will have reduced to £6.684m and 25% of net budget requirement will be £4.53m.
- (ii) Future levels of CSB net expenditure being financed predominately from External Funding from Government and Council Tax and that support from revenue balances be gradually phased out.*
27. The outturn for 2007/08 added £701,000 to reserves, and the revised estimates for 2008/09 anticipate a further increase of £541,000. This would leave the opening revenue reserve for 2009/10 at just over £8 million and although the estimates for 2009/10 show a reduction of £704,000, reserves would still be above £7m. The Medium Term Financial Strategy at Annex 8 shows deficit budgets for the three years 2009/10 to 2011/12. The level of deficit peaks at £704,000 in 2009/10 and returns to

break even in 2012/13, although this is achieved through CSB savings of £300,000 in 2010/11 and 2011/12 reducing to £250,000 in 2012/13.

#### The Local Government Finance Settlement

28. The Government have confirmed that the draft figures previously advised will not be changed for 2009/10. To remind Members of the three-year settlement and the background to it the information below has been repeated from the 2008/09 Council Tax setting report.
29. After one two-year settlement under the new four block system, the Department for Communities and Local Government (DCLG) announced a consultation to “update and fine tune” the model to produce a three-year settlement. Unfortunately the fine-tuning has resulted in some substantial movements in the Council’s relative position. The table below sets out the Council’s amounts in each of the four blocks for the five years of data now available. The Relative Needs Amount (what the Government believes the Council needs to spend) has fallen nearly £300,000 for 2008/09 whilst the Relative Resource Amount (a negative amount to reflect the ability to raise income from Council Tax) has increased by over £500,000. This worsening of £800,000 is offset by an increase in the Central Allocation of £460,000 and a change in the net Floor Damping position of £490,000.

	<b>2006/07 £m</b>	<b>2007/08 £m</b>	<b>2008/09 £m</b>	<b>2009/10 £m</b>	<b>2010/11 £m</b>
Relative Needs Amount	5.728	5.742	5.455	5.457	5.464
Relative Resource Amount	-4.465	-4.724	-5.228	-5.096	-4.956
Central Allocation	7.854	8.332	8.793	8.834	8.871
Floor Damping	-0.490	-0.189	0.302	0.173	0.036
<b>Formula Grant</b>	<b>8.627</b>	<b>9.161</b>	<b>9.322</b>	<b>9.368</b>	<b>9.415</b>

30. The draft figures shown above represent a poor settlement for the Council and give grant increases of only 1% (against the adjusted 07/08 figure) for 2008/09 and only 0.5% for 2009/10 and 2010/11. This seems odd given the sizeable grant increase seen under this system for 2006/07 and 2007/08.

	<b>2006/07 £m</b>	<b>2007/08 £m</b>	<b>2008/09 £m</b>	<b>2009/10 £m</b>	<b>2010/11 £m</b>
Formula Grant (adjusted)	8.627	9.161 (9.229)	9.322	9.368	9.415
Increase £	0.711	0.534	0.093	0.046	0.047
Increase %	9.0%	6.2%	1.0%	0.5%	0.5%

31. The introduction of the four block system saw the Council change from receiving floor support of £412,000 to losing £490,000 to support the floor for others. It had been hoped that the move away from the floor would last longer than two years. However, the benefit of the previous large increase has not been lost, as this has provided the base for the subsequent floor increases of 1% and 0.5%.

#### The 2009/10 General Fund Budget

32. Whilst the position on many issues is clearer now than it was when the Financial Issues Paper was written there are still significant risks and uncertainties for 2009/10. The full effects of the recession have still to be seen and as well as impacting on



many of the Council's revenue streams it is likely that additional demands will be placed on services such as benefits and homelessness. Despite the measures being taken at the national level many commentators are predicting a severe recession that may last some years. If this is the case then the allowances made for reductions in property related income and investment income might need to be increased.

33. Another major area of uncertainty pending clarification was whether the DCLG would provide a capitalisation direction to cover the pension deficit payments for 2008/09. A full capitalisation direction was obtained for 2005/06 and 2007/08 but a direction covering only 57% of the costs was given for 2006/07. It is necessary to apply for each year separately, and now as well as considering whether individual applications meet the criteria (Gate 1) the national economic impact of all applications (Gate 2) is also considered. A notice of full Gate 2 Approval was issued on 30 January 2009, this is in line with the assumptions used in compiling the budget.
34. The starting point for the budget is the attached Medium Term Financial Strategy, Annex 8. Annexes 8a and 8b are based on the current draft budget, a Council Tax increase of 2.5% (£146.61 Band D) for 2009/10 and subsequent increases of 2.5% per annum for each of the following three years in accordance with the strategy of not increasing Council Tax by more than this amount.
35. Members are reminded that this strategy is based on a number of important assumptions, including the following:
  - Future Government funding beyond the current CSR (for which the grant increases are known) will increase at a rate of 1% per annum.
  - CSB growth has been restricted but still exceeds the CSB target for 2009/10 of £17.9 million. Known growth beyond 2009/10 has been included but will be subject to a further review to help identify savings.
  - All known DDF items are budgeted for, and because of the size of the LDF programme the closing balance at the end of 2012/13 is anticipated to reduce to £488,000.
  - Maintaining revenue balances of at least 25% of NBR. The forecast shows that the deficit budgets for three years of the period will reduce the closing balances at the end of 2012/13 to £6.684m or 36% of NBR for 2012/13, although this can only be done with significant annual savings from 2010/11 to 2012/13.

#### The Capital Programme

36. The Capital Programme at Annex 5 shows the expenditure previously agreed by Cabinet and approved as part of the Capital Strategy by Council on 16 December 2008. Cabinet agreed a significant late additional capital item on 19 January with £1.9 million being added to the programme. This is to fund the implementation of the revised collection arrangements and £0.5 million of the total is being funded by Essex County Council.
37. Members have stated that in future priority will be given to capital schemes that will generate revenue in subsequent periods. This position was stated in the previous Capital Strategy and has been reinforced by the increasing awareness that capital spending reduces investment balances and thus impacts on the general fund revenue balance through lower interest earnings.
38. Annex 8b sets out the estimated position on capital receipts for the next four years. Members will note that even with a substantial capital programme, which exceeds £53m over five years, it is anticipated that the Authority will still have £11m of usable capital receipt balances at the end of the period. It is not anticipated that further disposals of surplus land will take place during 2009/10, or in the medium term until market conditions have improved.

### The Housing Revenue Account

39. The balance on the HRA at 31 March 2010 is expected to be £5.8 million, after deficits of £22,000 in 2008/09 and £388,000 in 2009/10. A significant factor in the worsening deficit has been the increase in subsidy payable to the Government, which has gone up £351,000 to £11.2 million for 2009/10.
40. The rent increase is set with reference to an individual property's formula rent but subject to various constraints. This process of Rent Restructuring to bring Council rents and Housing Association rents more in line with each other has been temporarily suspended. For 2009/10 greater discretion has been given to local authorities, although the Government has placed a limit of 7% on increases. The actual average rent increase for 2009/10 is expected to be 4%.
41. An update to the current five-year forecast is being prepared and will be presented to a subsequent Cabinet. The HRA has had substantial balances for some time and this position is not expected to change in the short term.
42. The estimated balances for the Housing Repairs Fund and the Major Repairs Reserve at the end of 2009/10 are £3.48m and £4m respectively. Members are recommended to agree the budgets for 2009/10 and 2008/09 revised and to note that although a deficit budget is proposed for 2009/10 the HRA has substantial ongoing balances.

### Risk Assessment and the Level of Balances

43. The Local Government Act 2003 section 25 introduced a specific personal duty on the "Chief Financial Officer" (CFO) to report to the Authority on the robustness of the estimates for the purposes of the budget and the adequacy of reserves. The Act requires Members to have regard to the report when determining the Council's budget requirement for 2009/10. If this advice is not accepted, the reasons must be formally recorded within the minutes of the Council meeting. The report of the Chief Financial Officer is set out at Annex 10, Members will note the following conclusions:
  - (i) the estimates as presented to the Council are sufficiently robust for the purposes of the Council's overall budget for 2009/10; and
  - (ii) the reserves of the Council are adequate to cope with the financial risks the Council faces in 2009/10 but that savings will be needed in subsequent years to bring the budget back into balance in the medium term.

### The Prudential Indicators and Treasury Management Strategy 2009/10

44. Since 2004/05 it has been necessary to set affordable borrowing limits, limits for the prudential indicators and a Treasury Management Strategy. These elements of the budget requirements are set out in a separate report as Annex 9.
45. Members approved a Treasury Management Strategy on 19 February 2004, which has been updated and amended on annual basis to give additional flexibility in dealing with increased investment balances, resulting from land sales. Investment balances have increased substantially and, as part of the 2007/08 budget, the limit on funds invested for over 364 days was raised from £15m to £30m and the maximum amount to be invested with higher rated counter parties was increased from £8m to £12m.
46. Given the current instability in money markets a more prudent approach is being taken to counter parties and some institutions are no longer being dealt with even though they satisfy the credit rating requirements. As part of this approach the maximum amount to be invested will be reduced to £10m and building societies

without credit ratings will only be dealt with where they are covered by a Government guarantee. This may lead to some reduction in interest earnings but the first priority is to safeguard the Council's investment funds.

### Council Tax

47. The revenue and capital budgets of the various spending portfolios are set out in Annexes 4(a)-(k). Annex 3 summarises the overall budget for the Council for the General Fund and the HRA and is grossed up for the effects of local parish and town council precepts. Annex 5 summarises the Council's Capital Programme. The budget as submitted produces a District Council Tax (Band D) of £146.61 for 2009/10 (£143.01 for 2008/09), which represents a 2.5% increase. The average (Band D) Council Tax including local Parish/Town Council precepts will be £200.92 (£195.40 in 2008/09), which represents an approximate 2.8% increase.

### Council Tax Declaration

48. Under Recommendations (1) – (4) which include Annexes 1, 2, 3, 4(a)-(k) the Council will agree its budget for the next year. The Authority must then proceed to declare a Council Tax. The appropriate technical recommendations are set out in Recommendations (6) onwards. These follow the standard form of declaration recommended by the Local Government Association in consultation with the Secretary of State. They are designed to avoid the possibility of legal challenge to the declaration of the Council Tax.
49. The Council Tax bases for each band in each area of the District were approved by the Finance and Performance Management Portfolio Holder in consultation with the Chairman of the Overview and Scrutiny Committee. These are reproduced in Recommendation (6)(b) and form part of the ensuing calculations. The amounts to be levied within the District in respect of Essex County Council, Essex Police Authority, Essex Fire Authority and Parish and Town Councils are notified to this Authority and are matters on which the District Council has no discretion.
50. However, the precepts of Parish and Town Councils are levied on the District Council and then taken into account in the General Fund. Details relating to the District Council precept together with the precepts in respect of Parish and Town Councils are set out in the recommendations and analysis in Annex 6.

### Guide to the Council Tax Calculation

51. The figures in Recommendation (7) draw on calculations contained within the report as follows:
  - 7(a)** is the total of the revenue expenditure items shown in Annex 3 summary of revenue including the total of the Parish/Town Council precepts;
  - 7(b)** is the total of the revenue income items shown in Annex 3;
  - 7(c)** is the difference between the revenue expenditure and income as shown in Annex 3 (in simple terms it represents the net budget requirement of the District Council plus Parish and Town Council precepts);
  - 7(d)** is the figure in Annex 3 for Exchequer support from the Government to the General Fund together with a transfer of surpluses from the Collection Fund;
  - 7(e)** is obtained by dividing 7(d) by the Council Tax Base; this represents the average Band 'D' Council Tax for the District and Parish/Town Councils only;

**7(f)** as shown in Annex 3 is the total of Parish/Town Council precepts; and

**7(g)** represents the equivalent of dividing 7(f) by the Council Tax Base, the resulting figure being deducted from the figure shown in 7(e); this provides the average Band 'D' Council Tax for the District Council only.

52. This process culminates in the figures shown in Annex 6, which are the Council Tax amounts for the District Council and the Parish/Town Councils for each valuation band for 2009/10. To these amounts are added Council Tax figures supplied by the major precepting authorities and which are further summarised as the total Council Tax due for each valuation band in Part B of Annex 7.
53. Annex 7 relating to the precepts of various parts of the District will be tabled at the meeting.