

THE BUDGET AND COUNCIL TAX 2007/08

1. Reason for Report

The purpose of this report is to assist members in determining the Council's budget and the associated Council Tax level for financial year 2007/08.

2. Report Summary

The report considers the budget setting process through reference to the Corporate Plan and risks faced by the Council. This is in-line with Audit Scotland's Priorities and Risks Framework which includes financial planning as a key issue. The report demonstrates the comprehensive nature of the work of the Council and its Committees - predominantly the Finance Sub Committee - in setting a budget and council tax for 2007/08.

3. GLOSSARY OF TERMS

ACOP	- Accounting Code of Practice
AGMT	- Area & Group Managers Team
AMC	- Asset Management Committee
AMP	- Asset Management Plan
BV	- Best Value
CIPFA	- Chartered Institute of Public Finance & Accountancy
CMT	- Corporate Management Team
CRM	- Customer Relationship Management
CT	- Council Tax
DDA	- Disability Discrimination Act
ECS	- Education & Community Services
E,SW&CS	- Education, Social Work & Community Services
FES	- Financial Efficiency Strategy
FSC	- Finance Sub Committee
FTE	- Full time equivalent
GAE	- Grant Aided Expenditure
NWS	- National Waste Strategy
PFI	- Private Finance Initiative
PPP	- Public Private Partnership
P&RF	- Priorities & Risk Framework
RSG	- Rate Support Grant
SE	- Scottish Executive
SSA	- Single Status Agreement
SWIA	- Social Work Inspectorate Agency

4. Recommendations

Members are asked to:-

- 4.1 consider the information provided in this report as part of determining the planned level of expenditure on Council Services and associated Council Tax for financial year 2007-08;
- 4.2 agree that the Budget process is reviewed taking into consideration the issues raised in section 11 of the report;
- 4.3 agree that progress reports on the Financial Efficiency Strategy be brought forward to all future meetings of the Finance Sub Committee or a suitable succeeding forum if the Committee arrangements are revised after the May elections;
- 4.4 agree that the arrangements for financing the connectivity of broadband are the subject of a report to the FSC once the arrangements are finalised with Scottish Borders Council; and
- 4.5 agree that a Natural Wastage/Redevelopment Efficiency Programme be developed by Asset Management and Corporate Policy Committees as part of the More with Less component of the FES.

5. Corporate Plan Links and Contribution

The Corporate Plan contains commitments in relation to achieving the right balance between resources needed, Council tax increases and the quality of services provided and seeks to maintain financial management as a top priority by requiring close monitoring of spending and taking action to minimise CT increases and achieve value for money. The top corporate risk is the affordability of services and work through the FES contributes to managing that risk and towards the Corporate Plan priority "to move towards a balanced budget".

This report reviews the financial implications of each of the 14 Key Priorities at Section 11.

6. Resources/Value for Money Assessment

This report is wholly concerned with the financial resources of the Council.

7. Risk Assessment

The FES has been the subject of a detailed risk assessment by CMT and this has:

- identified 10 corporate risks,
- assessed the risks for likelihood and impact,
- drafted control measures,
- assigned individual Members of CMT and committees to manage risks,
- identified that risks will now be managed within the strategic and operational planning process.

Audit Scotland identified affordability as a key risk and the P&RF lists several areas of financial risk faced by the Council. Section 12 of the report reviews the Council's financial risks.

8. Authorities and Legal Implications

8.1 Proper Financial Administration Section 95 of the Local Government (Scotland) Act 1973 requires the Council to make arrangements for the proper administration of their financial affairs through the Director of Finance as proper officer.

8.2 Council Tax

Sections 70 to 99 of the Local Government Finance Act 1992 make provision for calculating, billing and the collection of CT and Water Charges in Scotland.

8.3 Best Value

Section 1 of the Local Government in Scotland Act 2003 makes it a duty of the Council to make arrangements to secure Best Value and specifies the key features of Best Value. Guidance issued by the SE under Section 1 is also recognised as proper financial administration under Section 95 of the Local Government (Scotland) Act 1973.

8.4 A detailed review of the Constitutional Framework for budget setting has been considered at the Corporate Policy Committee of 9th January 2007.

9. Consultations

Corporate Management Team have considered the report and are in full agreement with the terms and recommendations of the report.

10. Background

The Financial Efficiency Strategy was agreed by the FSC on 27 October 2005 and updated on 31 March 2006. All subsequent meetings of the FSC received reports outlining developments on the FES. An outline of the Strategy is attached as **Appendix 1** to this report.

11. Key Priorities

11.1 The Council has identified 14 Key Priorities. Each are reviewed for their impact on the Budget for 2007/08.

11.2.1 Disability Discrimination Act (DDA)

A total of £6.5 Million has been allocated through the Council's capital programme to support investment in improving Council buildings to ensure accessibility for all. In 2007-08 the Council plan to spend £2.1m with £2.5m in 2008-09 and £1.2m in 2009-10. The Council are carrying out this work in partnership with the Dumfries and Galloway Disability Access panel. The first Phase of the work incorporating the Councils 15 Customer Service Centres is now complete, with the next Phase involving Council HQ, Municipal Chambers, Public Toilets, Community Centres and Libraries about to commence on site. Progress on this Corporate Priority is reported regularly to the Corporate Policy Committee. The FSC approved these figures on 2 February 2007.

11.2.2 Waste Management & Recycling

The Council has developed a Waste Management and Recycling Private Finance Initiative, which secured private capital investment of £34 Million. The Council will receive a Strategic Waste Fund grant of £80m over the 25 year life of the PFI as well as Level Playing Field support of approximately £32m. The Council are also contributing approximately £3.5m per annum to the Private Finance Initiative. The

Council will also receive a Strategic Waste Fund grant of around £18m over 20 years to increase recycling through kerb side collection and other recycling initiatives. The Finance Sub Committee considered this matter on the 18 January 2007.

11.2.3 Regional Leisure Complex

The Council has secured a funding package of over £17 Million to support this development of which £14.5 Million will come from the Council's own resources (mainly through borrowing but also including a £1.7 Million receipt from a plot of land at Cuckoo Bridge) with a further £2.7 Million being secured through a combination of Sport Scotland Grant and European Funding to complete the funding package. The capital implications of the project were considered by the FSC on 29 June 2006 and £150k is provided towards the commissioning and running costs in 2007-08.

11.2.4 Urban Regeneration

The Council is promoting the development of Stranraer Waterfront through a capital programme allocation of £2.37m (of which £919k is being funded externally) and Dumfries Town Centre through capital expenditure of £1.11m. Recent news on the success of the Council's casino bid will strengthen perceptions that Stranraer is a good place for regeneration. The Council, along with a funding contribution from SEDG, also fund a Town Centre Regeneration Officer which is a temporary appointment for 3 years which commenced in November 2005. The Council in partnership with SEDG have recently funded a retail study. The total cost of the study was £55k with 50% of the funding being provided by the Council with SEDG providing the other 50%. There was also £63k capital expenditure in respect of the Dumfries Town Centre Parking Strategy.

11.2.5 Broadband Links

The Council, in partnership with Scottish Borders Council, have signed a contract with Thus for the delivery of broadband network services to the South of Scotland. The value of this contract is for up to £32m. This contract will run for seven years, and the roll-out programme for delivery of services to premises has commenced in January 2007. Thus will invest in a significant amount of new technology to provide these services including additional fibre connectivity, microwave and wireless connections, as well as making use of existing telecoms infrastructure.

The contract with Thus will deliver scaleable connections for 252 sites in total for Dumfries & Galloway - all 122 primary and secondary schools, plus connectivity for another 130 public sites in the area ranging from council offices to museums, libraries and leisure centres. The Scottish Executive has contributed £27m in grant to the South of Scotland Broadband Partnership. Dumfries & Galloway Council's share of this grant will be approximately £16m. At present there is adequate budgetary provision to cover current connectivity. As Broadband rolls out the Scottish Executive contribution should cover most of our costs for the first five years. Thereafter the Council will become liable for the full costs of connectivity in years 6 and 7 of the contract. It is suggested that these costs are managed by way of a sinking fund over the duration of the contract. It is recommended that Finance Sub Committee consider this proposal once the financial details are firmed up with Scottish Borders Council.

11.2.6 Improved Infrastructure

A budget allocation of £50k per annum has been identified to support lobbying for key road facilities which is being undertaken with the Transport Minister and Scottish Executive and through the production of publications. European programmes and

funds are also scrutinised to identify opportunities for matching funding for transportation and infrastructure.

11.2.7 Area Based Regeneration

The Council through Planning & Environment contribute £200k revenue funding per annum to Area Regeneration. The four areas within Dumfries and Galloway (Annandale & Eskdale, Nithsdale, Stewartry and Wigton) each get £50k. There is also a discretionary budget of £268k for a range of projects including area regeneration initiatives.

11.2.8 Schools PPP & AMP

The Schools PPP project will secure investment in the Council's schools of over £100 Million. Scottish Executive funding of £7.16 Million per annum over a 30 year period and existing Schools budgets of £1.7 Million will help support the resultant service charge to the Service Provider. The Council has also agreed additional revenue budget provision of £4 Million per annum to support both the Schools PPP project and a further £1m to support investment in the remainder of the Schools Estate to ensure that all schools are developed to the Smarter Schools' standard. The schools to be improved through the PPP route account for 25% of secondary and 8.5% of primary school pupils. The effectiveness of future investment will depend on the consolidation of the schools estate.

11.2.9 Development of Crichton Site

Over the 2 year period of 2005/06 and 2006/07 Dumfries and Galloway Council contributed £151k in respect of infrastructure costs associated with the development of Easterbrook Hall. In 2005/06 the Council also supported the running costs of the Crichton Trust through an allocation of £37.5k and a further £50k has been earmarked for financial year 2007/08.

11.2.10 Employee Development

Staff development is an integral part of setting staff targets across all Services. Individual staff targets should cascade down from the service planning process thus providing a golden thread from community planning to annual staff performance.

11.2.11 Public Utilities

No specific corporate budget provision but Council staff have been involved in providing information to Scottish Water.

11.2.12 Southern Dumfries Access Strategy

Over the last two financial years, 2005/06 and 2006/07, £75k has been spent on a Dumfries Study - Transportation Links - Scottish Transport Appraisal Guidance (STAG) phase 2 appraisal). The Dumfries Traffic Strategy (Southern Sector) has a total estimated final cost of £2.809m as reported to Committee in January 2007. This is constituted by a total of 21 discrete projects with 16 now complete and 5 ongoing.

11.2.13 Commercial Opportunities

Currently Combined Services generates some £15 million of income from sources external to the Council. This equates to 22% of the gross income received. External income is mainly generated from the Building Maintenance and Roads Units. While income from DGHP fell last year it is still forecast to be in excess of £6.5 million in 2006/07. Additionally the Building Maintenance section has won contracts with a number of Housing Associations to provide a responsive repairs service which will

generate a further £600k of income. This division has also just successfully tendered for all the councils Disability Discrimination Act alterations work.

The Roads Unit generated £3.3 million from external sources in 2005/06 and is likely to achieve similar levels in 2006/07. This unit has retained the contract with Amey for the maintenance of the Trunk Road Network in Dumfries and Galloway for a further five years. It has also successfully bid for a number of external contracts over the last year including the re-surfacing of the A76 at Sanquhar, laying the Stevenscroft/ Chapel Cross inter-connector, access road works for a number of wind farm projects and is likely to win the contract to provide the car park and access roads for the new Tesco Store at Lockerbie.

The other main generator of external income is Engineering Services where over 40% or £600k of their income comes from external sources. This section has successfully won a number of large design contracts including that for the A7 Auchenvivock improvements. A number of partnership initiatives are also in place, the primary one being with Mouchel Parkman which generates significant fee income.

Other units also contribute to the generation of income from external sources notably Building Cleaning where eighteen external properties are currently being cleaned and vehicle maintenance where a number of external clients use this service.

11.2.14 Achieving a Balanced Budget

If a 4.9% increase CT level is agreed and savings of £3.5m can be found in each of the financial years 2008-09 and 2009-10 then a balanced budget will be achieved by 2009-10. More modest increases in CT or more modest savings for the next 3 years will delay the achievement of a balanced budget until later financial years. It should be remembered that even though the level of balances start to increase in most budget scenarios this is achieved through the sale of assets which is not sustainable beyond the medium term.

12. Risks

12.1 Audit Scotland's P&RF identifies the following risks faced by the Council in the current and forthcoming financial year:

- equal pay
- single status
- pension costs
- increased energy costs
- increasing costs of free personal care

They also list the DDA and NWS and these have been addressed under the Council's Priorities. To this should be added a further local risks area:

- costs of an effective Social Work service

The following paragraphs deal with each in turn:

12.2.1 Equal Pay

Ultimately the only true protection against equal pay claims is the agreement on a pay and grading model which eliminates sex discrimination in the pay structure. A

draft agreement for a single status pay and grading model has been agreed and if finally approved by both sides this should limit further claims of this nature.

The FSC will have considered the cost of this issue in detail on the 2 February 2007. The potential costs of Equal Pay are extremely difficult to predict. Costs incurred to date amount to around £5m and a mid-range estimate of the total cost of Equal Pay is around £11m (inclusive of the amount paid to date). However, there is a potential for costs to materially exceed this level and potential costs could be almost double this estimate. The issue of Equal Pay will continue to be monitored and the results of existing cases at Tribunal are likely to determine the progress of others so it would be premature to anticipate developments at this stage.

12.2.2 Single Status

A Single Status pay and grading model is the subject of draft agreement between the Council and recognised Trade Unions. The cost of the pay and grading model is £6.2m per annum with a mid-range estimate for grading appeals set at £2m per annum. Budgetary provision is limited to £4.5m per annum. Initial costings of the methods that could be used to achieve the required workforce consolidation have been made. The risks and benefits of each have been assessed and strategy of seeking to achieve the new workforce structure within 18 months by way of natural wastage supplemented by voluntary severance considered the most financially viable. However, this has yet to be the subject of more detailed Human Resources consideration at the Asset management Committee where this initial strategy can be the subject of more thorough consideration.

12.2.3 Pension Costs

The triennial valuation of the pension fund was concluded in March 2006 and the Pension Fund assets estimated to be 89% of liabilities at 31 March 2005. Accordingly in line with the Actuaries recommendations the employers contributions were increased to 290% of employee contributions in 2006-07, 310% in 2007-08 and 325% in 2008-09. These have been built into base budgets. Furthermore, the rate at which assets have increased has been greater than the rate at which liabilities have increased. This risk has been adequately addressed.

12.2.4 Energy Costs

The FSC considered this matter on 25 January 2007. Due to a softening market for energy and improved Council procurement the FSC was able to reduce the increase in estimate from £1.5m to £1.25m.

12.2.5 Increased costs of free personal care

The P&RF identifies 3 sources of budget pressure:

- increasing number of elderly eligible for FPC,
- potential waiting lists, and
- legal clarification on meal preparation charging.

The increasing number of elderly eligible for FPC have so far been managed within the overall budgets of ECS. Whether this will still be the case with the newly branded Education, Social Work & Community Services Department is open to conjecture and this is dealt with in section 14.5 of this report. The Council has not used waiting lists to keep costs within budget. However the issue of charging for meal preparation was considered at the FSC on 2 February 2007 which agreed to make a mid-range provision of £1.5m.

12.2.6 In preparing the budget the senior management costs of the new E,SW&CS department have been addressed. Informal trade union representation has been received requesting further provision for other social work staff. This issue has been previously raised with Members as a budget pressure. At present several factors will require to be examined before this budget pressure can be acknowledged:

- staff are already funded as part of a "grow your own" policy;
- the age profile of existing social workers is mature and they will have to be replaced so existing social work posts are funded;
- the current budget for Social Work is above GAE and some reprioritisation of resources should be considered as an option.

13. Medium Term Financial Planning

13.1 Best value guidance requires Councils to look at a minimum of three years when considering their financial plans. This constitutes proper financial administration as required by Section 95 of the Local Government (Scotland) Act 1973.

13.2 The principle that budgets should be set beyond a one-year timeframe is well established within the Council and consideration of the budget strategy over a three year period allows for a structured, medium-term approach to both service and financial planning.

13.3 The current Local Government Finance Settlement covers only the upcoming financial year 2007/08 and there is no expectation that Councils should announce indicative council tax levels beyond the forthcoming year. The Spending Review 2007 will inform the 2008/09 Grant Settlement and it is not expected that the new figures for RSG will emerge until late in the autumn at the earliest.

14. Budget Overview

14.1 As can be seen from a review of Council priorities (section 11) and from nationally and locally identified risk (section 12) the Council has comprehensively reviewed the main budget issues.

14.2 A number of reports have been presented to the FSC over the last year and especially over recent months updating Members on the Council's overall budget position.

14.3 **Appendices 2 and 3** to this report provide updates of the Budget Model and **Appendix 2** can be summarised as follows:

	2007-08	2008-09	2009-10
	£ Million	£ Million	£ Million
Planned Expenditure	306.195	308.928	313.451
AEF (Government Grant)	<u>(242.301)</u>	<u>(245.286)</u>	<u>(248.308)</u>
Required from Council Tax/Balances	63.894	63.642	65.143
Council Tax Product (at 4.9% per annum)	60.015	63.292	66.746
Requirement from Balances	3.879	0.350	(1.603)
Year End Balances	3.619	3.269	4.872

The figures reflected above assume closing 2006-07 General Fund Balances of £7.498m (after making a provision for the repayment of meal preparation charges of £1.5m). However, as previously reported to the Finance Sub Committee, this forecast is dependant on a number of budget pressures including potential overspends against Education & Community Services, being accommodated within the resources available in the current year.

14.4 The Council's expenditure plans include budget provision for a number of major corporate initiatives such as DG1, Neighbourhood Renewal, the Schools PPP project and the Schools Estate Management Plan (SEMP). However, it is important to recognise that a range of expenditure pressures faced by Services have not been reflected in the uprated budget.

14.5 It is a matter of concern that many spending pressures which stem from the increasing number of elderly, and increased identified needs across the social care spectrum remain unaddressed by this budget process. Experience over the last five years has seen the vast majority of spending pressures managed by departments. Furthermore, the opportunity to bid for extra resources to manage service pressures is open to Committees provided they matched the bids with savings. No Committee considered such an option and so the Council could infer that Committees were confident that budget pressures can be managed within resources. Some may argue that such was the controversial nature of savings identified by the options review process that further savings to match budget pressures would have been rejected. Such a view would represent informed conjecture. However, Members should also recall the services' reduced flexibility to manage budget pressures:

- carry forward limited to a 2% underspend,
- no provision for office staff increments,
- office staff vacancy target of 2%, and
- top slicing of some procurement budgets.

The budget pressures may be of an order of magnitude previously experienced by Services but their capacity to manage them within budgets is also a matter of conjecture.

15. Budget Savings

15.1 In setting the Budget for 2007-08 the Council identified £3m of savings in 2006-07 and a further £4m of savings in 2007-08.

15.2 There is an implicit savings target in the budgetary provision for single status of approximately £3.7m. CMT have identified a conceptual model of how this might be achieved through natural wastage of staff. However, this needs to be developed through the adoption of a robust Natural Wastage/Redeployment Efficiency Programme. This programme will be contained within the More with Less component of the FES.

16. Budget Process

16.1 Two actions have improved scrutiny of base budgets:

- the publication of a budget book for 2006-07, and
- the initiation of an options review programme.

Given the magnitude of future savings requirements these actions will need to be reviewed to improve their effectiveness.

16.2 Secondly, the process of including service pressures needs to be given more scrutiny and focus with higher evidence thresholds required of services before they submit a service pressure. Members should be aware that this higher evidence threshold will carry with it a higher requirement for Members to recognise these pressures when setting future budget with consequences for tough choices on services and council tax levels.

16.3 Work on long-term financial planning has not proved possible as agreed with the Council's External Auditors due to the challenges of the current budget. Future budgets will have to be placed in the context of longer financial forecasts. This is necessary given the increasing number of long-term commitments the Council is making such as the Waste Disposal PFI and Schools PPP.

17. The Council Tax

17.1 The Council Tax Product figures shown at para 14.3 above reflect 4.9% for 2007-08 and continue this rate of increase into the following 2 years. The 2006-2007 Council Tax level in Dumfries & Galloway of £1,018 is the lowest of the 29 Scottish mainland Councils and is 9.8% below the Scottish average of £1,129. Further, the extent to which the Council tax level in Dumfries & Galloway is below the national average has increased materially over the last 3 financial years.

17.2 Consideration of the appropriate level of council tax increase over the financial planning period will obviously form an integral part of Members' budget deliberations. It should be noted that a 1% increase (or reduction) on the announced indicative council tax level for 2007-08 would increase (or reduce) council tax income by £0.570 Million in that year and by £1.8 Million over the next 3 years.

17.3 **Appendix 4** provides a summary of the financial impact, in terms of weekly and annual increases, that a 4.9% council tax increase would have on houses within each of the valuation bands in Dumfries & Galloway. The figures shown identify that almost 50% of the dwellings in Dumfries & Galloway are in valuation bands A and B and that a council tax increase of 4.9% would result in weekly increases of 64p and 75p respectively for households in these valuation bands. It is also important to note that council tax benefits will be increased in line with increases in council tax levels.

Robin Bennie Director of Finance	
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Appendices - 4

DUMFRIES AND GALLOWAY COUNCIL
FINANCIAL / EFFICIENCY STRATEGY 2006-9 agreed on 31 March 2006

		2006 / 2007	2007 / 2008	2008 / 2009
<u>Control Spend</u>	<ul style="list-style-type: none"> • Address underspends • Control of vacancies • Increase performance/output agenda • Reconsider revenue consequences of earmarked reserve initiatives • Matched savings with growth proposals in Service Plans • Control purchases, supplies, services (eg transport, hospitality) procurement 			
<u>More With Less</u>	<ul style="list-style-type: none"> • Community Learning and Development Review • Learning Support Review • Fees and Charges Review • Corporate policy and performance activity Review • Communications Unit Review • Community Planning Review • Programme of Strategic and Service Reviews of least priority services 			
<u>Business Transformation</u>	<ul style="list-style-type: none"> • Asset management/shared premises • Reshaping Council management structure • Back office economies • Outsourcing/partnerships including facilities management • 21st Century Government modernisation • Integrated public sector initiatives 			
<u>Budget Strategy</u>	<ul style="list-style-type: none"> • Planned use of Balances 			
	£M 10			
	5			
	<ul style="list-style-type: none"> • Increase in income-capital receipts, external funding, fees and charges • Scottish Executive grants and Non Domestic Rates • Council Tax at affordable level • Clear prioritisation through zero based and policy led budgeting 			

Budget Options 2007/08 to 2009/10

Appendix 2

	2007/08 £000s	2008/09 £000s	2009/10 £000s
Up-rated Budget	299,189	307,494	315,392
Additions to/Reductions In Expenditure			
Schools PPP/School Estate Management Plan	4,750	5,000	5,125
Single Status	6,000	3,750	3,750
Energy Costs	1,250	1,250	1,250
Members Remuneration	280	280	280
Technology Solutions & CRM Accommodation	200	253	253
DG1 Commissioning & Other Costs	175		
ECS Senior Mgmt Structure & Improvement Team	300	350	350
Kirkcudbright Art Gallery Exhibition Programme	25	25	25
Increased Usable Capital Receipts	-1,900	-1,900	-1,900
Savings Agreed	-4,074	-4,074	-4,074
Further Savings to be Considered	0	-3,500	-7,000
Total Planned Expenditure	306,195	308,928	313,451
Less Government Grant	242,301	245,286	248,308
Requirement from Council Tax/Balances	63,894	63,642	65,143
Year on Year Savings Requirement	4,074	3,500	3,500

	£000s	£000s	£000s
Council Tax Increase of 3% (07/08) followed by 5% pa			
Council Tax	58,928	62,205	65,662
Use of Balances	4,966	1,437	-519
Year End Balances	2,532	1,095	1,613

	£000s	£000s	£000s
Council Tax Increase of 3.7% (07/08) followed by 5% pa			
Council Tax	59,328	62,627	66,108
Use of Balances	4,566	1,015	-965
Year End Balances	2,932	1,918	2,883

	£000s	£000s	£000s
Council Tax Increase of 4% (07/08) followed by 5% pa			
Council Tax	59,500	62,809	66,299
Use of Balances	4,394	833	-1,156
Year End Balances	3,104	2,271	3,427

	£000s	£000s	£000s
Council Tax Increase of 4.4% (07/08) followed by 5% pa			
Council Tax	59,729	63,050	66,554
Use of Balances	4,165	592	-1,411
Year End Balances	3,333	2,741	4,152

	£000s	£000s	£000s
Council Tax Increase of 4.9% per annum			
Council Tax	60,015	63,292	66,746
Use of Balances	3,879	350	-1,603
Year End Balances	3,619	3,269	4,872

Assumptions

Assumes 2006/07 Year - End Balances of £7.498 Million.

Excess Capital Receipts of £2.5 Million (2006/07), then £1.9 Million per annum

£484k returned from Service Reserves in 2006/07

Sustainable Savings of £3 Million secured in 2006/07

Combined Services 2006/07 Deficit of £1.5 Million deducted from Balances

Funding for Monreith House as recommended by Asset Management Committee

Includes identified savings of £4,074k

Assumes no further savings identified for 2007/08 but that additional savings of £3.5 Million per annum will be achieved in subsequent years.

£1.5 Million charge against balances for Free Personal Care

Single Status provision of £4.5 Million per annum reprofiled to recognise initial increased costs

Summary of Uprated Budget 2007/08 - 2009/10
Summary of Upratings

Note 1 to Appdx 2

	2007/08 £000s	2008/09 £000s	2009/10 £000s
Previous Year's Uprated Budget	288,594	299,189	307,494
Pay Award (APT&C and Manual)	1,766	1,782	1,857
Teachers Pay Award	1,617	1,850	1,893
Superannuation Revaluation	637	492	0
Teachers Superannuation Revaluation	555	0	0
APT&C Vacancies Assumption	-252	0	0
Internal Contract Charges	794	787	702
Index Linked Contracts	999	1,071	1,097
Running Costs	844	873	878
Fees & Charges	-270	-283	-299
Grants to Voluntary Organisations	176	182	188
Increase in Police GAE	668	581	604
Increase in Fire GAE	257	270	278
Removal of Time-Limited Policy Headroom (as previously agreed)	-413	0	0
Increase in Loan Charges (includes provision for Leisure Complex)	450	700	700
Inflation and Base Adjustments	7,828	8,305	7,898
Recognised Statutory Changes/New Burdens	2,767	0	0
Uprated Budget	299,189	307,494	315,392

Contracts Uprating

Internal Contracts

2007/08

Contract	Contract to be Uprated	Increase Rate Applicable	2007/08 Contract Increase	2007/08 Contract Amount
Roads Routine Maintenance	7,515,434	2.0%	150,310	7,665,744
Roads Winter Maintenance	1,162,393	2.0%	23,250	1,185,643
Roads Structural Maintenance	4,000	2.0%	80	4,080
Roads Networks	94,130	2.0%	1,880	96,010
Bridge Management	121,600	2.0%	2,430	124,030
Lighting Management & Maintenance	552,410	2.0%	11,050	563,460
Harbour Maintenance	94,516	2.0%	1,890	96,406
Car Parks Maintenance	207,010	2.0%	4,140	211,150
Non-Road Lighting Maintenance	65,848	2.0%	1,320	67,168
Flood Prevention	51,250	2.0%	1,030	52,280
Bus Shelter Maintenance	18,834	2.0%	380	19,214
Welfare Meals	156,569	2.5%	3,910	160,479
Home Care	6,160,660	2.9%	178,660	6,339,320
School Meals	1,708,632	2.5%	42,720	1,751,352
Garden Aid	315,356	2.7%	8,510	323,866
Vehicle Maintenance	311,890	2.2%	6,860	318,750
Janitors	131,700	2.9%	3,820	135,520
Cleaning	3,629,775	2.9%	105,260	3,735,035
Waste Collection	3,152,795	2.7%	85,130	3,237,925
Grounds Maintenance	3,852,082	2.7%	104,010	3,956,092
Burials	511,246	2.7%	13,800	525,046
Street Cleansing	1,600,770	2.7%	43,220	1,643,990
	31,418,900		793,660	32,212,560

Index Linked Contracts

Contract	Contract to be Uprated	Increase Rate Applicable	2007/08 Contract Increase	2007/08 Contract Amount
Procured Public Transport Services	4,016,740	1.50%	60,250	4,076,990
Education Transport	2,143,400	1.50%	32,150	2,175,550
PFI Contract	3,487,580	2.50%	87,190	3,574,770
Residential Accommodation (Net)	13,444,201	2.50%	336,110	13,780,311
Home Care (Net)	5,869,708	2.50%	146,740	6,016,448
Day Care	1,453,534	2.50%	36,340	1,489,874
Direct Payments	959,754	2.50%	23,990	983,744
Block Contracts	3,587,428	2.50%	89,690	3,677,118
STARS	211,150	2.50%	5,280	216,430
Transport	1,232,468	2.50%	30,810	1,263,278
Speech & Language Therapy	203,665	2.50%	5,090	208,755
Residential Schools Educ	3,624,098	2.50%	90,600	3,714,698
Foster Carers	1,480,699	2.50%	37,020	1,517,719
A&E Leisure Trust	408,109	2.50%	10,200	418,309
Training	278,520	2.50%	6,960	285,480
	42,401,054		998,420	43,399,474

Funding Allocations Included within the Local Government Finance Settlement

	2007/08 £000s
Education and Community Services	
Schools	
School Bursaries	-100
Surestart	85
Pre-School Education	149
Community and Residential Care for Children	41
Care Home Fees	853
Increased Number of Elderly	898
Upskilling Workforce	314
Faster access to Home Care	74
Voluntary Sector Care Providers	105
Learning Disability Hospital Closures	23
Direct Payments	5
Changing Childrens Services Fund	584
	3031
Planning & Environment	
Smoking Ban	-16
Animal Feedstuffs	-36
Waste Disposal	419
Landfill Tax	-131
	236
Area Management	
Rural Partnerships	-500
	-500
Total Additions	2767

Summary of Uprated Budget 2007/08 - 2009/10

Note 4 to Appendix 2

Summary by Service Department

	2007/08	2008/09	2009/10
Education & Community Services	215,970	220,552	225,320
Planning & Environment	30,845	31,223	31,709
Combined Services	25,668	26,252	26,737
Executive Unit & Area Management	4,060	3,468	3,530
Corporate Services	15,197	15,298	15,545
Financial Services	7,232	7,471	7,686
Corporate & Democratic Core	3,835	3,886	3,939
Police	16,352	16,933	17,537
Fire	9,720	9,990	10,268
Non-Distributable Costs	1,583	1,507	1,507
Budgets to be allocated *	11,756	7,628	4,253
Service Support Recharges	-22,160	-22,160	-22,160
Operational Budgets	320,058	322,048	325,871
Capital Charges	-34,573	-34,530	-34,530
Loan Charges/IRB	20,550	21,250	21,950
CFCR	160	160	160
Net Expenditure	306,195	308,928	313,451

* Budgets to be allocated

Single Status	6000	3750	3750
QOL (Funding Adjustment in 07/08)	72	1516	1516
Energy Costs	1250	1250	1250
Technology Solutions & CRM Accommodation	200	253	253
Reduction in Rates Poundage Saving	-65	-65	-65
Kirkcudbright Art Gallery Exhibition Programme	25	25	25
Members Remuneration	280	280	280
Required Savings	-261	-3761	-7261
Schools PPP	4750	5000	5125
DG1 Commissioning & Other Costs	175	0	0
ECS Senior Mgmt Structure & Improvement Team	300	350	350
Increased Usable Capital Receipts	-1900	-1900	-1900
Building Safety Requirements	500	500	500
Broadband Funding	80	80	80
Other:			
Contingency	350	350	350
	11,756	7,628	4,253

Budget Options 2007/08 to 2009/10

Appendix 3

(As per Appendix 2, but with Capital Receipts Reprofiled)

	2007/08 £000s	2008/09 £000s	2009/10 £000s
Upated Budget	299,189	307,494	315,392
Additions to/Reductions In Expenditure			
Schools PPP/School Estate Management Plan	4,750	5,000	5,125
Single Status	6,000	3,750	3,750
Energy Costs	1,250	1,250	1,250
Members Remuneration	280	280	280
Technology Solutions & CRM Accommodation	200	253	253
DG1 Commissioning & Other Costs	175		
ECS Senior Mgmt Structure & Improvement Team	300	350	350
Kirkcudbright Art Gallery Exhibition Programme	25	25	25
Increased Usable Capital Receipts	-2,900	-1,400	-1,400
Savings Agreed	-4,074	-4,074	-4,074
Further Savings to be Considered	0	-3,500	-7,000
Total Planned Expenditure	305,195	309,428	313,951
Less Government Grant	242,301	245,286	248,308
Requirement from Council Tax/Balances	62,894	64,142	65,643
Year on Year Savings Requirement	4,074	3,500	3,500

	£000s	£000s	£000s
Council Tax Increase of 3% (07/08) followed by 5% pa			
Council Tax	58,928	62,205	65,662
Use of Balances	3,966	1,937	-19
Year End Balances	3,532	1,595	1,613

	£000s	£000s	£000s
Council Tax Increase of 3.7% (07/08) followed by 5% pa			
Council Tax	59,328	62,627	66,108
Use of Balances	3,566	1,515	-465
Year End Balances	3,932	2,418	2,883

	£000s	£000s	£000s
Council Tax Increase of 4% (07/08) followed by 5% pa			
Council Tax	59,500	62,809	66,299
Use of Balances	3,394	1,333	-656
Year End Balances	4,104	2,771	3,427

	£000s	£000s	£000s
Council Tax Increase of 4.4% (07/08) followed by 5% pa			
Council Tax	59,729	63,050	66,554
Use of Balances	3,165	1,092	-911
Year End Balances	4,333	3,241	4,152

	£000s	£000s	£000s
Council Tax Increase of 4.9% per annum			
Council Tax	60,015	63,292	66,746
Use of Balances	2,879	850	-1,103
Year End Balances	4,619	3,769	4,872

Assumptions

Assumes 2006/07 Year - End Balances of £7.498 Million.

Excess Capital Receipts of £2.5 Million (2006/07), £2.9 Million (2007/08) then £1.4 Million per annum

£484k returned from Service Reserves in 2006/07

Sustainable Savings of £3 Million secured in 2006/07

Combined Services 2006/07 Deficit of £1.5 Million deducted from Balances

Funding for Monreith House as recommended by Asset Management Committee

Includes identified savings of £4,074k

Assumes no further savings identified for 2007/08 but that additional savings of £3.5 Million per annum will be achieved in subsequent years.

£1.5 Million charge against balances for Free Personal Care

Single Status provision of £4.5 Million per annum reprofiled to recognise initial increased costs

Calculation of Council Tax 2007/08 (based on 3% increase)

Charges Levied by Dumfries and Galloway Council							
Valuation Band		2006/07	2007/08	% Increase	Amount of Increase		Dwellings In
		£	£	%	Per Year £	Per Week £	Each Band %
A	Under £27,000	678.67	699.33	3.0%	20.66	0.4	16.3%
B	£27,000 - £35,000	791.78	815.89	3.0%	24.11	0.46	32.2%
C	£35,000 - £45,000	904.89	932.44	3.0%	27.55	0.53	15.5%
D	£45,000 - £58,000	1018.00	1049.00	3.0%	31.00	0.6	13.1%
E	£58,000 - £80,000	1244.22	1282.11	3.0%	37.89	0.73	13.7%
F	£80,000 - £106,000	1470.44	1515.22	3.0%	44.78	0.86	6.1%
G	£106,000 - £212,000	1696.67	1748.33	3.0%	51.66	0.99	2.9%
H	Over £212,000	2036.00	2098.00	3.0%	62.00	1.19	0.2%
Weighted Average Increase					29.01	0.56	

Calculation of Council Tax 2007/08 (based on 3.7% increase)

Charges Levied by Dumfries and Galloway Council							
Valuation Band		2006/07	2007/08	% Increase	Amount of Increase		Dwellings In
		£	£	%	Per Year £	Per Week £	Each Band %
A	Under £27,000	678.67	704.00	3.7%	25.33	0.49	16.3%
B	£27,000 - £35,000	791.78	821.33	3.7%	29.55	0.57	32.2%
C	£35,000 - £45,000	904.89	938.67	3.7%	33.78	0.65	15.5%
D	£45,000 - £58,000	1018.00	1056.00	3.7%	38.00	0.73	13.1%
E	£58,000 - £80,000	1244.22	1290.67	3.7%	46.45	0.89	13.7%
F	£80,000 - £106,000	1470.44	1525.33	3.7%	54.89	1.06	6.1%
G	£106,000 - £212,000	1696.67	1760.00	3.7%	63.33	1.22	2.9%
H	Over £212,000	2036.00	2112.00	3.7%	76.00	1.46	0.2%
Weighted Average Increase					35.56	0.68	

Calculation of Council Tax 2007/08 (based on 4% increase)

Charges Levied by Dumfries and Galloway Council							
Valuation Band		2006/07	2007/08	% Increase	Amount of Increase		Dwellings In
		£	£	%	Per Year £	Per Week £	Each Band %
A	Under £27,000	678.67	706.00	4.0%	27.33	0.53	16.3%
B	£27,000 - £35,000	791.78	823.67	4.0%	31.89	0.61	32.2%
C	£35,000 - £45,000	904.89	941.33	4.0%	36.44	0.7	15.5%
D	£45,000 - £58,000	1018.00	1059.00	4.0%	41.00	0.79	13.1%
E	£58,000 - £80,000	1244.22	1294.33	4.0%	50.11	0.96	13.7%
F	£80,000 - £106,000	1470.44	1529.67	4.0%	59.23	1.14	6.1%
G	£106,000 - £212,000	1696.67	1765.00	4.0%	68.33	1.31	2.9%
H	Over £212,000	2036.00	2118.00	4.0%	82.00	1.58	0.2%
Weighted Average Increase					38.37	0.74	

Calculation of Council Tax 2007/08 (based on 4.4% increase)

Charges Levied by Dumfries and Galloway Council							
Valuation Band		2006/07	2007/08	% Increase	Amount of Increase		Dwellings In
		£	£	%	Per Year £	Per Week £	Each Band %
A	Under £27,000	678.67	708.67	4.4%	30.00	0.58	16.3%
B	£27,000 - £35,000	791.78	826.78	4.4%	35.00	0.67	32.2%
C	£35,000 - £45,000	904.89	944.89	4.4%	40.00	0.77	15.5%
D	£45,000 - £58,000	1018.00	1063.00	4.4%	45.00	0.87	13.1%
E	£58,000 - £80,000	1244.22	1299.22	4.4%	55.00	1.06	13.7%
F	£80,000 - £106,000	1470.44	1535.44	4.4%	65.00	1.25	6.1%
G	£106,000 - £212,000	1696.67	1771.67	4.4%	75.00	1.44	2.9%
H	Over £212,000	2036.00	2126.00	4.4%	90.00	1.73	0.2%
Weighted Average Increase					42.11	0.81	

Calculation of Council Tax 2007/08 (based on 4.9% increase)

Charges Levied by Dumfries and Galloway Council							
Valuation Band		2006/07	2007/08	% Increase	Amount of Increase		Dwellings In
		£	£	%	Per Year £	Per Week £	Each Band %
A	Under £27,000	678.67	712.00	4.9%	33.33	0.64	16.3%
B	£27,000 - £35,000	791.78	830.67	4.9%	38.89	0.75	32.2%
C	£35,000 - £45,000	904.89	949.33	4.9%	44.44	0.85	15.5%
D	£45,000 - £58,000	1018.00	1068.00	4.9%	50.00	0.96	13.1%
E	£58,000 - £80,000	1244.22	1305.33	4.9%	61.11	1.18	13.7%
F	£80,000 - £106,000	1470.44	1542.67	4.9%	72.23	1.39	6.1%
G	£106,000 - £212,000	1696.67	1780.00	4.9%	83.33	1.6	2.9%
H	Over £212,000	2036.00	2136.00	4.9%	100.00	1.92	0.2%
Weighted Average Increase					46.79	0.90	