

LONDON BOROUGH OF HAMMERSMITH AND FULHAM

REVENUE BUDGET 2007/2008

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LONDON BOROUGH OF HAMMERSMITH AND FULHAM

REVENUE BUDGET 2007/2008

INTRODUCTION

The overall revenue budget for Hammersmith and Fulham is built up on a departmental basis, with each Service's revenue estimates reviewed by the appropriate Scrutiny Committee. The estimates are then consolidated along with centrally held budgets and presented to Budget Council for approval.

This Budget Book brings together these estimates for the whole Council, and represents Hammersmith and Fulham Council's approved Annual Revenue Budget.

OTHER PUBLICATIONS

The Finance Department also produces the following publications dealing with different aspects of the Council's finances:

- Council Tax and Business Rates Booklet
- Statement of Accounts

Further details of these publications can be obtained from:

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REVENUE BUDGET 2007/2008

SUMMARY

SECTION 1 – BACKGROUND TO BUDGET STRATEGY

For 2007/08 the Council has received a 3.2% increase in central government funding. Under the current funding arrangements, central government grant provides around 61% of Hammersmith and Fulham's net resources with the remaining 39% coming from Council Tax. Every 1% increase in the Council's net expenditure that is not financed by central government equates to a 2.6% increase in Council Tax.

From 2006/07 schools have been funded from the ring-fenced, Dedicated Schools Grant (DSG). The Department for Education and Skills is now responsible for determining each local authority's 'Dedicated Schools Budget' (DSB) – the amount spent locally on schools and other services for pupils. Local authorities can opt to top-up such funding through additional contributions. Direct government funding of schools requires LBHF to exclude the DSB from the Council's budget requirement.

The Council facilitates the budget setting process through the implementation of a Medium Term Financial Strategy (MTFS). The MTFS identifies savings and growth items on a rolling three-year basis. These items have been evaluated for each department for 2007/08 and incorporated into the budget.

Under Section 25 of the Local Government Act 2003, the Director of Finance is required to include in budget reports a statement of her view of the adequacy of the reserves for which the budget provides. In the Cabinet Report to Council of 28 February 2007 the Director of Finance confirmed her satisfaction that the level of the Council's balances, reserves and provisions proposed in the report for 2007/08 are adequate and sufficient to allow for the risks identified.

It is expected that at the end of 2006/07 there will be approximately £12.1m in general reserves. This is just over 6.7% of the current budget requirement. It is proposed that the reserves reduce by £1.1m during 2007/08. A total reduction of £1.1m in reserves by 2008/09 will leave them at 6.1% of the Council's budget requirement of £180.7m

Under Section 25 of the Local Government Act 2003, the Director of Finance is also required to include a statement of her view of the robustness of the estimates included in budget reports. In the Cabinet Report to Council of 28 February 2007 the Director of Finance confirmed her satisfaction with the accuracy and robustness of the estimates included in the report.

SECTION 2 – BUDGET REQUIREMENT

The Council's budget requirement is funded from Revenue Support Grant, redistributed National Non-Domestic Rates, and Council Tax. The budget requirement is presented net of other government grants.

Table 1 – Movement Between 2006/2007 and 2007/2008

		£000's
	2006/07 Budget	176,558
	Adjustment for Prior Year Use of Reserves	3,755
	Prior Year RSG amending report	-162
<u>Plus</u>	Inflation	6,218
	Growth	9,388
<u>Less</u>	Efficiency Savings and Income Generation	-14,434
	Use of Balances	-1,142
	Net Council Budget 2007/08	180,181

The Council's departments identified the following efficiency savings and areas of increased income as part of the MTFS process.

Table 2 – Summary of Efficiency Savings and Income Generation

	£000's
Community Services	3,776
Customer First	611
Finance	427
Environment Services	3,183
Children's Services	3,300
Assistant Chief Executive	1,368
Corporate Items	1,769
Total Savings and Income Generation	14,434

The Council's departments identified the following growth requirements during the MTFS process.

Table 3 – Summary of Growth Requirements

	£000's
Community Services	2,374
Customer First	2,266
Finance	125
Environment Services	453
Children's Services	-11
Assistant Chief Executive	-160
Corporate Items	4,341
Total Growth	9,388

Each department has also been allocated a share of corporately identified growth and savings.

SECTION 3 – FORMULA GRANT

Formula Grant is the collective term for the Revenue Support Grant and redistributed National Non Domestic Rates (NNDR) paid by the government to local authorities. It is distributed on the basis of a four block model through the annual Local Government Finance Settlement. The four block model takes account of each local authority's relative needs, a central allocation, floor damping and their relative resources. Full details of how the calculations work are set out in the Local Government Finance Report which is approved by Parliament each year.

The breakdown of the 2007/2008 Formula Grant allocation for Hammersmith and Fulham is as follows:

Table 4 – Formula Grant Settlement

Revenue Support Grant	£000's 15,891
Redistribution from Non Domestic Rates	94,688
Net Formula Grant	110,578

Under the current arrangements for National Non Domestic Rates (NNDR), often referred to as Business Rates, the council collects the rates for its area. The NNDR is based upon local rateable values, which are then multiplied by a uniform rate set by central government to provide the total amount due. The total amount due, less certain reliefs and other deductions, is paid into a central pool managed by the government, which in turn pays back to local authorities their share of the pool based on a standard amount per head of population.

The Revenue Support Grant represents the difference between the Formula Grant allocation and the redistributed NNDR income.

SECTION 4 – THE COUNCIL TAX

The Council is obliged by law to set a balanced budget and has a responsibility to set the Council Tax every year in accordance with the Local Government Act 1992. The resource required from the Council Tax is calculated as follows:

Table 5 - Calculation of Council Tax Requirements

	2007/08 £000s
Budget requirement	180,181
Greater London Authority	23,443
Less: Revenue Support Grant and National Non Domestic Rates	
	111,564
Council Tax Requirement	92,060

The Council Tax is primarily a property tax based on classifying domestic properties into one of several valuation bands, subject to certain reliefs and discounts.

Within the Council Tax system, Band D is used as the basis for setting each year's Council Tax demand. There are eight Bands, A to H, which are expressed as a ratio of the value of Band D. The sum of all Band D equivalents multiplied by the collection rate is known as the Tax Base for the Council. For 2007/2008 the Council has estimated that there are 79,123 Band D equivalent properties; the collection rate has been estimated at 97.50%, giving a council tax base of 77,145. The Council continues to exercise the power to reduce the discounts previously given in respect of second homes and empty properties, which has increased its council tax base.

The Band D tax for 2007-08 has been set at £1,193.33. The Hammersmith and Fulham element of the Council Tax demand (£889.45) has decreased by 3% with an increase of 5.3% in the precept payable (£23.443m) to the Greater London Authority. Many residents will be assisted with bills through their eligibility to Council Tax benefit.

SECTION 5 – FUTURE YEARS

Formula Grant figures are not yet known beyond 2007/08. For planning purposes the council has allowed for a 2.5% annual increase from 2008/09 onwards.