

INTRODUCTION TO LOCAL GOVERNMENT FINANCE

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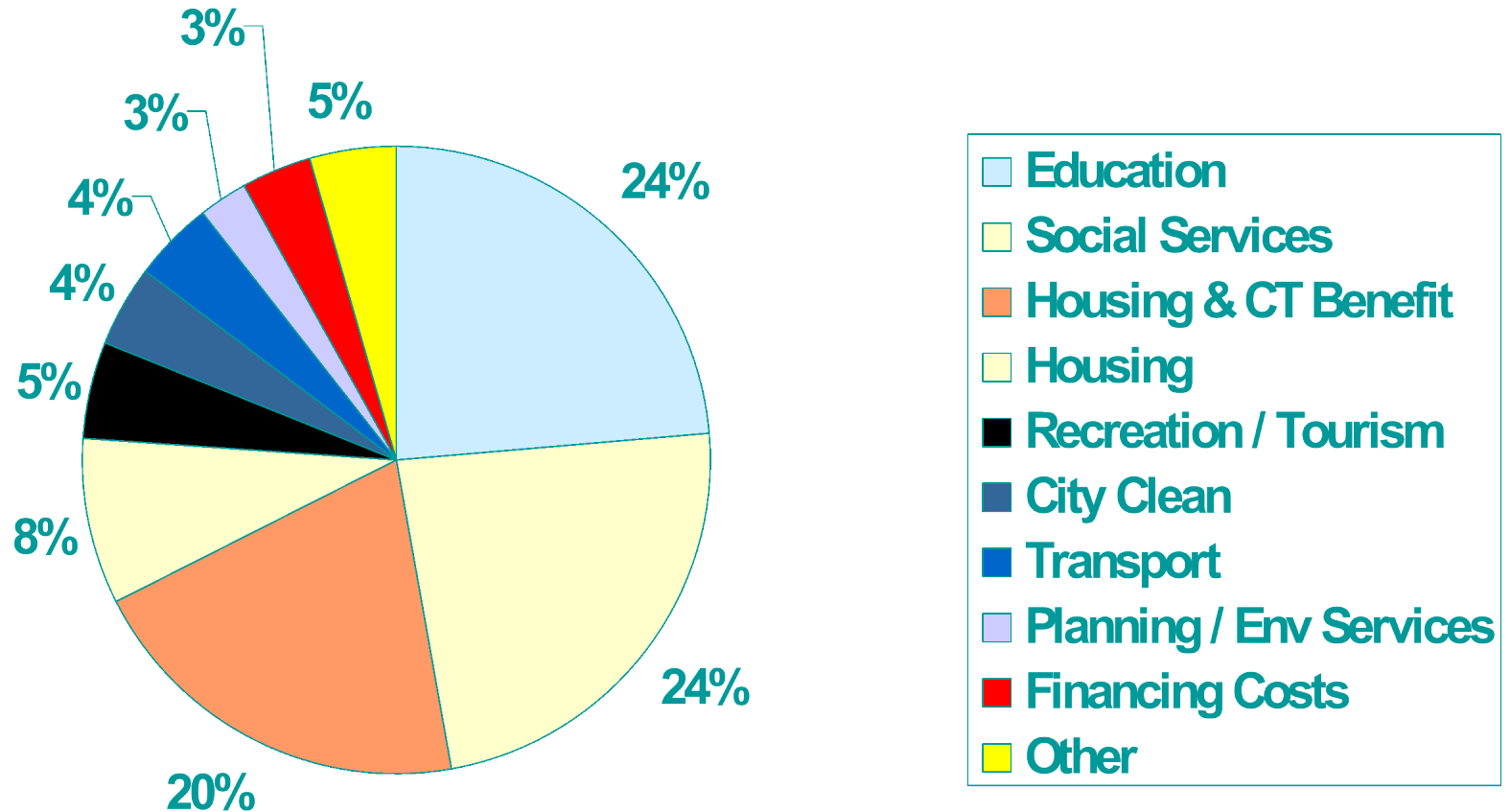
Strategy & Resources Manager
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Introduction

Purpose of this session is to provide information on:

- How much the council spends on different services
- How services are funded
- Capital investment budget
- Financial issues for the Council

2007/8 Gross Revenue Expenditure Budget (£676million) includes schools/housing



2007/8 Gross Revenue Budget - Funding

	£'m	%
2006/7 Gross Budget	676	100%
Specific Government Grants	-195	-29%
Fees, Charges & Rents	-116	-17%
Dedicated Schools Grant	-118	-17%
Housing Rents	-39	-6%
Use of reserves	-3	-1%
Net Revenue Budget	205	30%

Schools Funding

- Schools funded by the Government through Dedicated Schools Grant (DSG)
- Two year funding settlement for 2006/7 & 2007/8
- 2006/7 6.8% per pupil increase = £3,692
- 2007/8 6.6% per pupil increase = £3,936
- Review of DSG formula this summer for next 3 years

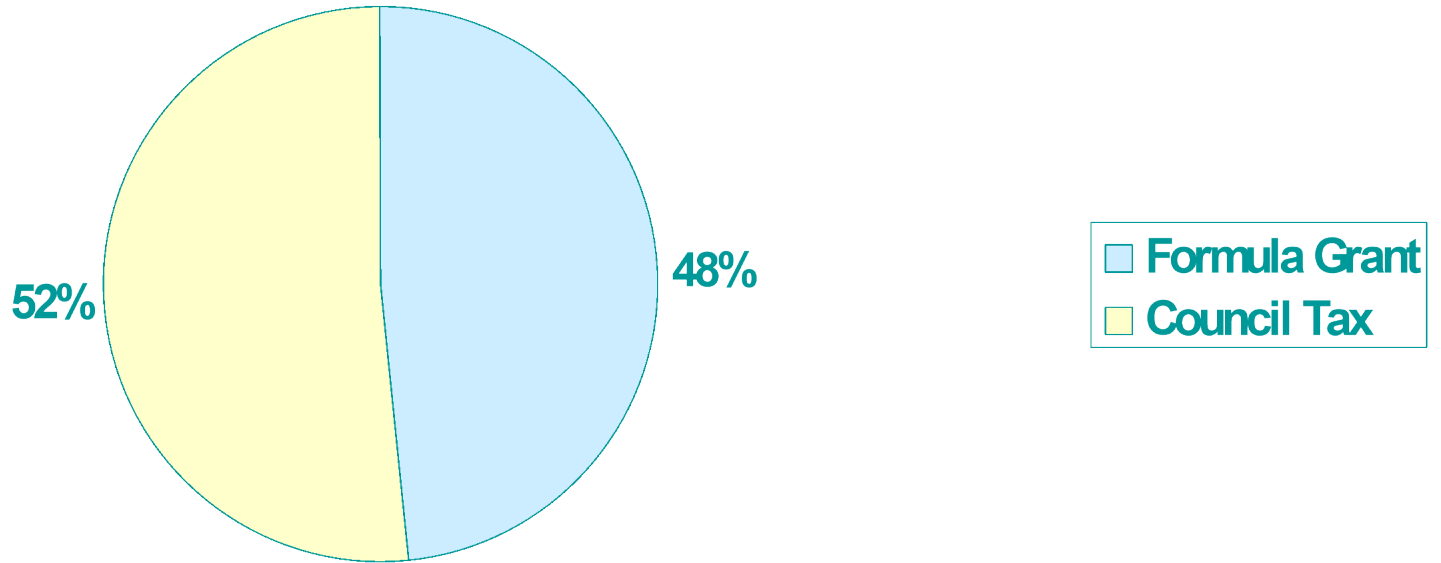
Estimated Pupil numbers 2007/8 (Full Time Equivalents)

Pre School/Nursery	1,324
Primary Schools	16,608
Secondary Schools	
11,350	
Special Schools	486
Outside of Local Authority Schools	113
Total	29,881
Multiplied by £3,936 = £117.6m	

Funding of Council Housing

- Ringfenced Housing Revenue Account for 12,385 dwellings
- Income from rent, service charges and Government Housing Subsidy
- Expenditure on management & maintenance

Funding of 2007/08 Net Budget (£205million)



Revenue Support Grant

- Grant received from the Government
- Complex formula
- Takes account of factors such as population, deprivation, ethnicity, higher costs of providing services in different areas
- Protects authorities from grant losses from formula and data changes through a grant floor
- The grant floor is the minimum increase in grant any authority can receive each year

2006/7 & 2007/8 Settlements

- Average national grant increase 3% in 2006/07
- B&HCC floor grant increase 2% in 2006/07
- Average national grant increase 3.7% in 2007/08
- B&HCC floor grant increase 2.7% in 2007/08
- The council receives grant protection from the floor and other damping mechanisms within the formula of approximately £19m in 2007/08 (£198 per band D property)

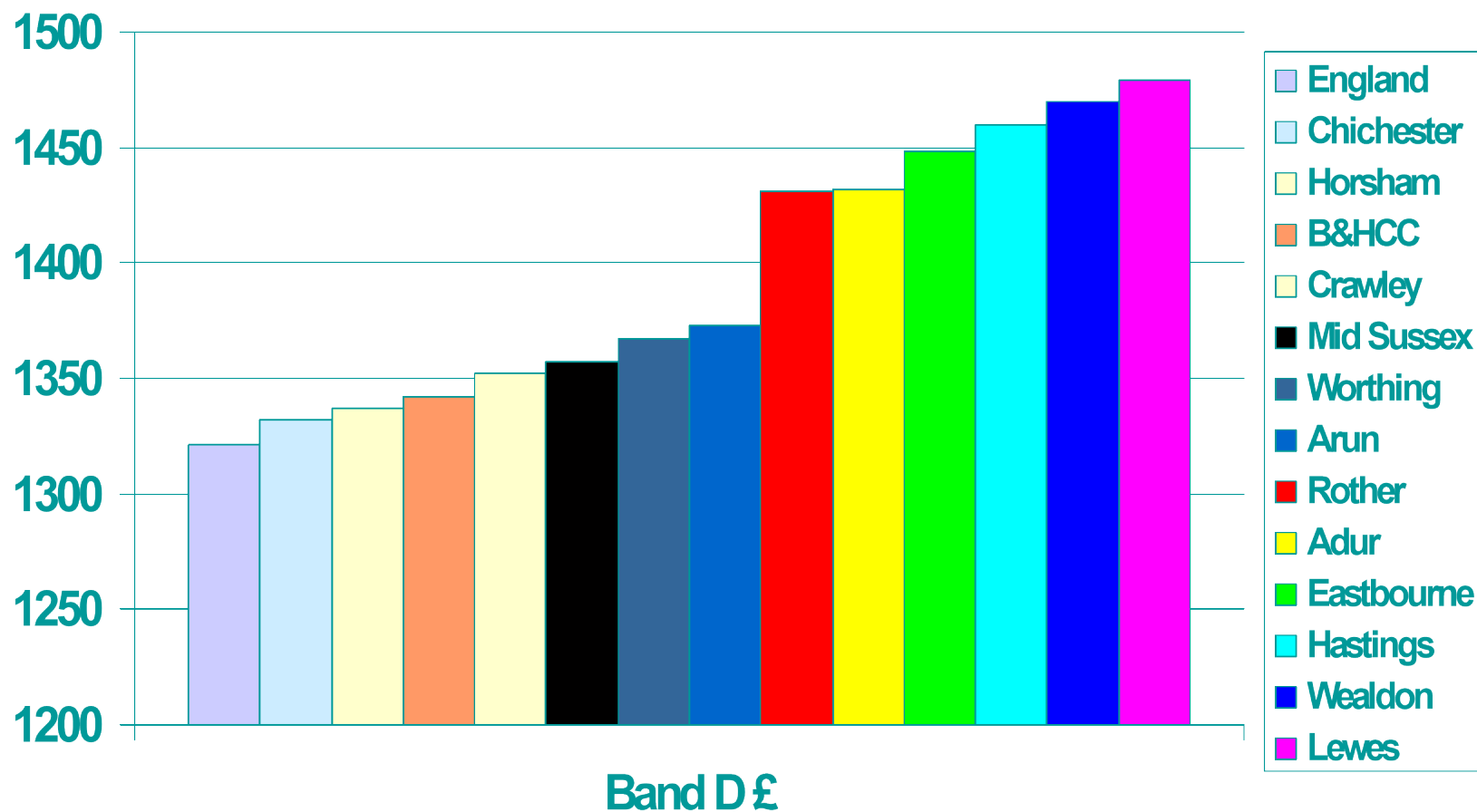
Council Tax Statistics

Authority	2007/08 Band D Council Tax	Increase	%
Brighton & Hove City Council	£1,144.69	+£52.82	+4.8%
Sussex Police Authority	£122.67	+£6.93	+6.0%
East Sussex Fire Authority	£73.70	+£3.44	+4.9%
Total for Brighton & Hove residents	£1,341.06	+£63.19	+4.9%

Council Tax Statistics

Number of chargeable council tax properties	116,732
Number of single person discounts	46,057
Average Band	C
Average council tax in Brighton & Hove	£1,067
Average council tax in England	£1,101
% of residents receiving council tax benefit	22.9%
% of residents receiving 100% council tax benefit	14.0%

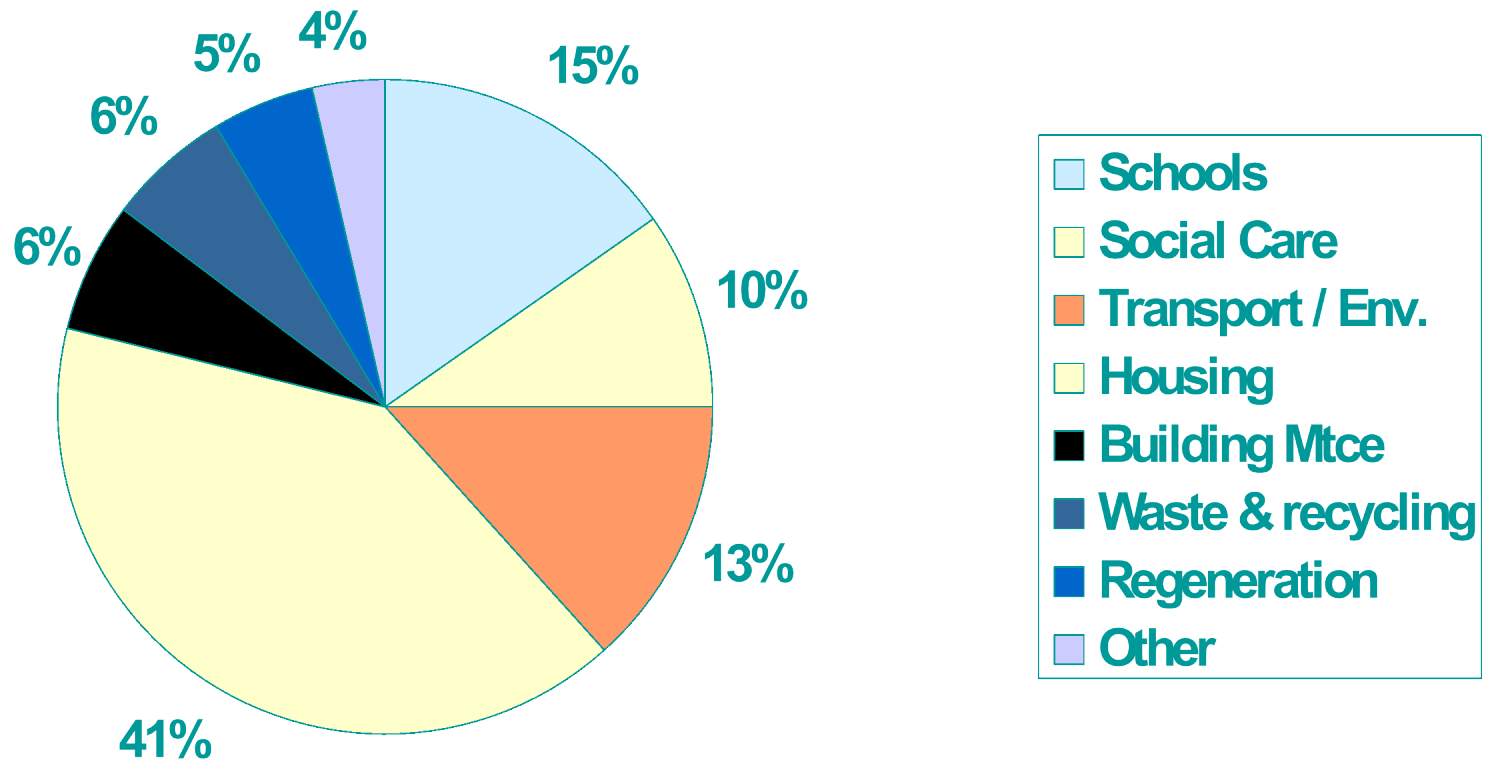
Council Tax Band D 2007/08



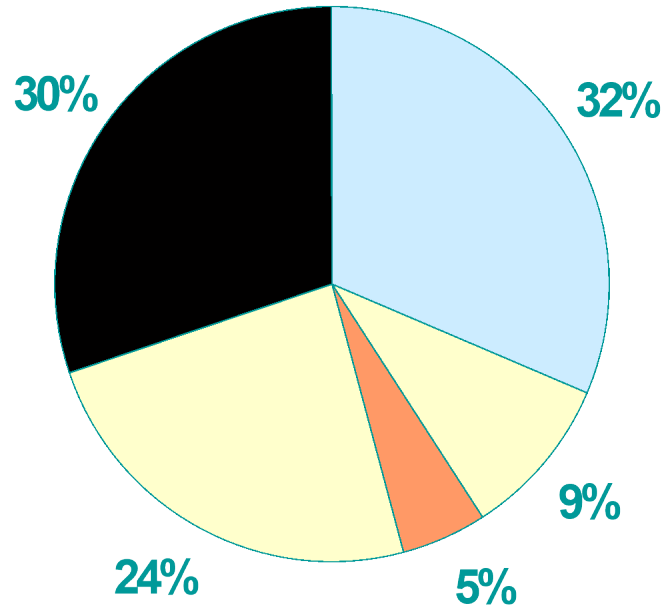
2007/08 Budget

	2007/08 £'million
Base budget	198.9
Inflation	5.5
Commitments	0.6
Service pressures	11.2
Strategic Priorities Fund	0.3
2.5% Efficiency savings	-3.2
Additional savings & action to reduce service pressures	-8.4
2007/08 Budget	204.9

2007/8 Capital Budget (£45million)



Funding of 2007/8 Capital Budget



National Spending Review 2007

- Announcement in the Autumn
- National budget under pressure
- Chancellor calling for pay restraint
- Education and Health already identified as high priorities
- Probability of less funding for other local government services
- Therefore lower grant increases than previous years

Budget Issues for 2008/09 to 2010/11

- 3 Year grant settlement announcement in December
- Pay award and additional single status (equal pay) impact
- Triennial pension fund review
- Service pressures continuing in children's services, learning disabilities / older peoples services
- National free off peak bus travel for the over 60's and disabled
- Cashable efficiency savings of 3% per annum required
- Council tax increase no more than 5% for capping purposes

Capital Issues

- Decent homes standards
- Transport infrastructure
- Sustainability / climate change
- Disability Discrimination Act / Fire regulations
- Maintaining existing assets
- Spend to save schemes

Projections for 2008/09

- Projected increases in spending will significantly exceed increases in resources
- With a 3.9% council tax increase the estimated overall savings package to balance the budget is £7.7m in 2008/09
- Each 1% reduction in the council tax increase is equivalent to about £1.1m further savings

Any Questions?

Treasury management

- Presentation by
Peter Sargent
Loans & Technical Manager
Strategic Finance & Procurement

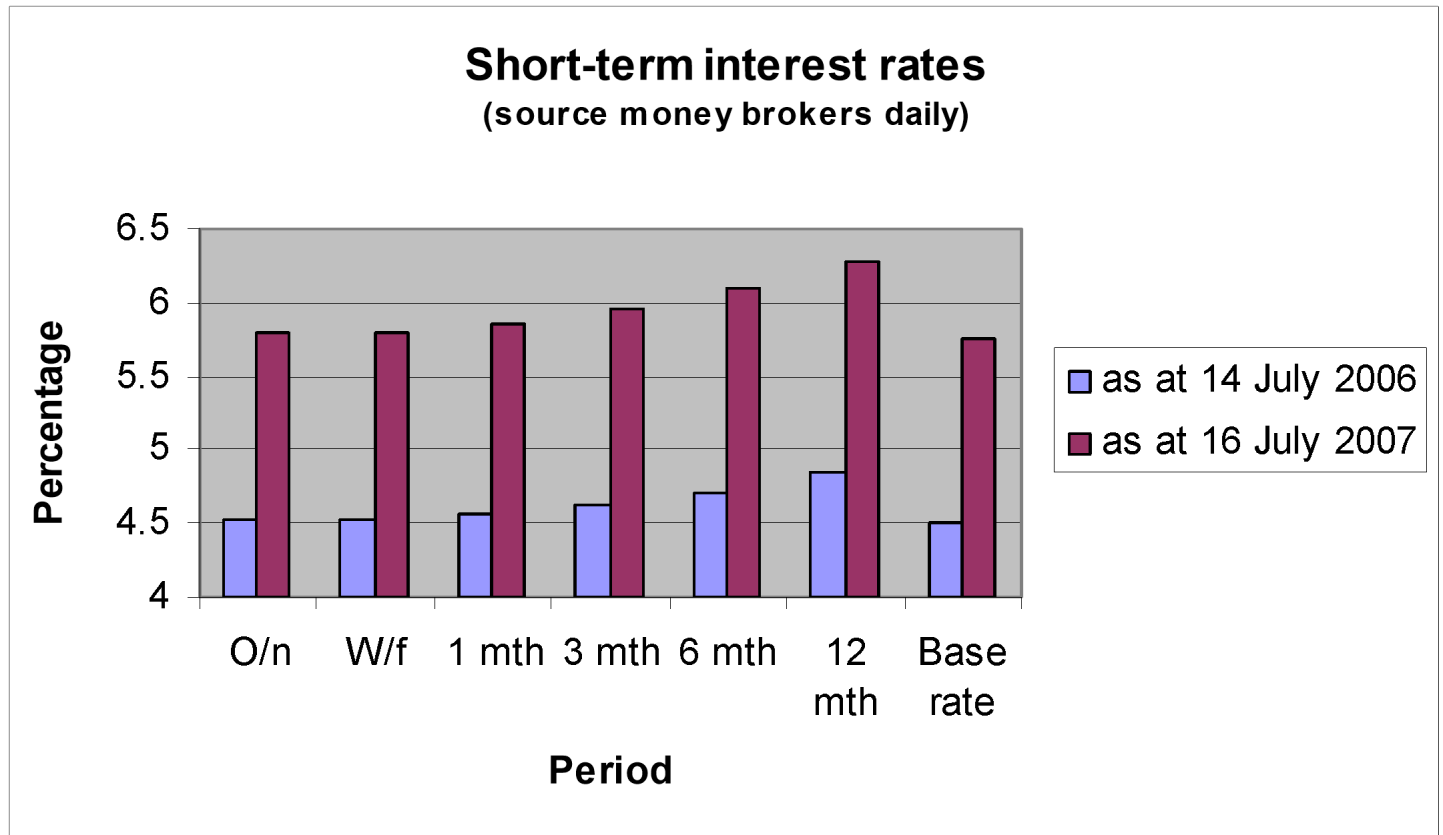
Treasury management

- TM governed by statute & codes of practice
- TM = management of cash
- Achieved through
 - ◆ balancing daily cash flows
 - ◆ funding capital investment

Treasury management

- Investments
 - ◆ ensure money returned on time & in full
 - ◆ 3 questions when investing
 - ☞ how much?
 - ☞ how long?
 - ☞ interest rates?
 - ◆ investment horizon = 3 years max

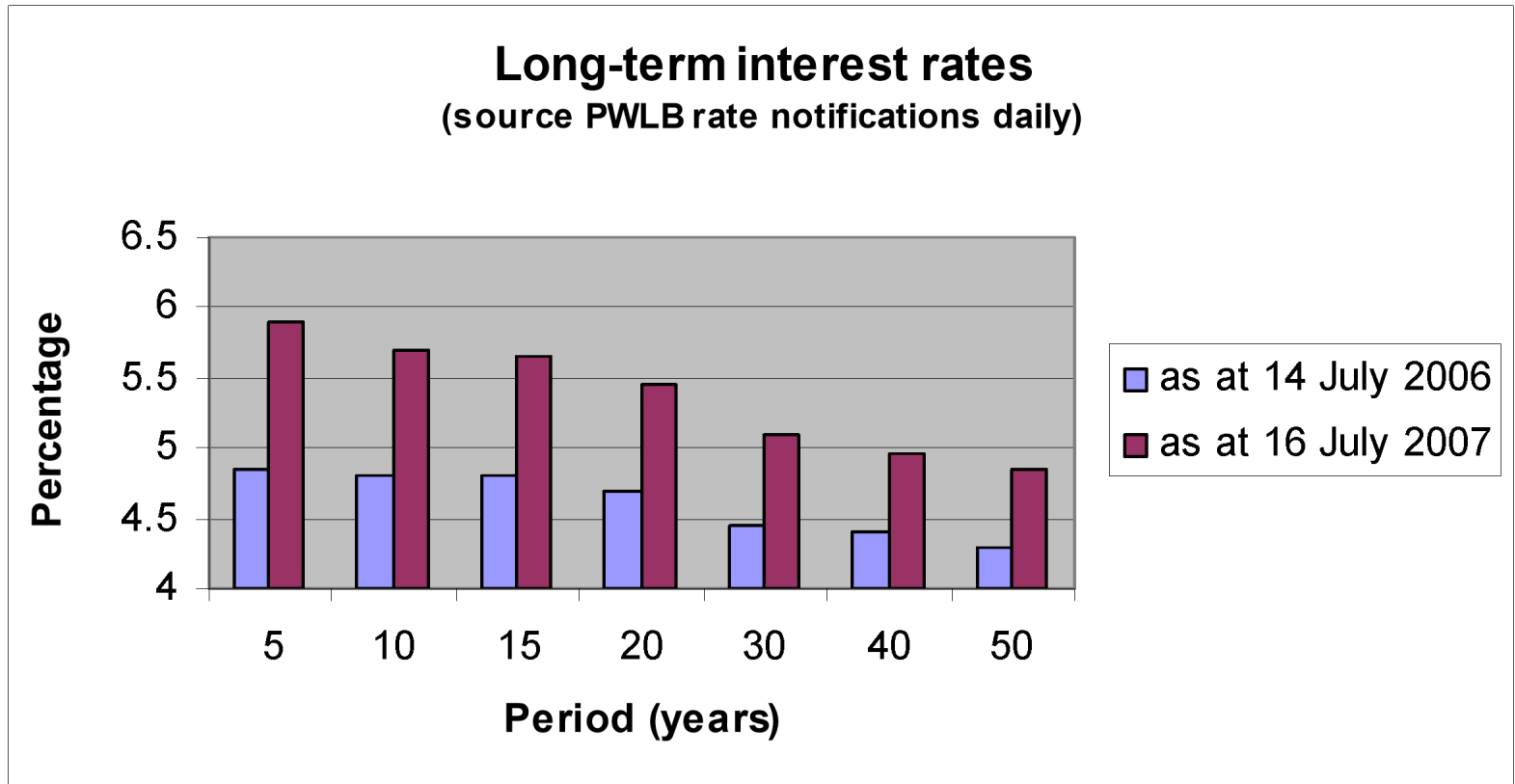
Treasury management



Treasury management

- Borrowing
 - ◆ to fund capital investment
 - ☞ long term
 - ☞ stability in average cost
 - ☞ currently £230m o/s
 - ◆ less volatility in interest rates
 - ◆ debt rescheduling opportunities

Treasury management



Treasury management

■ Performance

◆ borrowing

- 👉 1 April 2006 = 4.93% average
- 👉 31 March 2007 = 4.79% average

◆ investments

👉 in-house team

- target 4.83% achieved 4.88%

👉 cash manager

- target 4.98% achieved 5.10%

Treasury management

- 2007/2008
 - ◆ over £1.5m reduction in net cost of TM from 2006/07
 - ◆ a further £425k reduction identified in 2007/08
 - ◆ full assurance in tm systems - Internal Audit report April 2007