

Appendices



Item No.

NORTHAMPTON
BOROUGH COUNCIL

CABINET REPORT

Report Title	COUNCIL WIDE GENERAL FUND REVENUE BUDGET 2008/09 – 2010/11
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AGENDA STATUS: PUBLIC

Cabinet Meeting Date:	20 February 2008
Key Decision:	YES
Listed on Forward Plan:	YES
Within Policy:	YES
Policy Document:	NO
Directorate:	Governance and Improvement
Accountable Cabinet Member:	Malcolm Mildren
Ward(s)	N/A

1. Purpose

- 1.1 To report the outcome of the consultation process on the 2008/09 General Fund budget and the final formula grant settlement for 2008/09.
- 1.2 To agree the Cabinet's proposals for recommendation to Council on 28 February 2008 for the 2008/09 to 2010/11 General Fund budgets, Council Tax level for 2008/09 and indicative levels for 2009/10 – 2010/11.

2. Recommendations

- 2.1 That the feedback from consultation with the public, organisations and the Overview and Scrutiny Committees, be welcomed (detailed at Annexes A and B).
- 2.2 That the Council's representations on the provisional formula grant settlement be noted (Annex C).
- 2.3 That the projected 2007/08 outturn position of £346k underspend (as at the end of January 2008) be noted.

- 2.4 That the changes to the proposed budget (detailed at Annex D), in light of the consultation responses and the final formula grant settlement, be agreed.
- 2.5 That a General Fund budget for 2008/09 of £31.6m (an increase of 3.3%, or £1.0m over the 2007/08 budget), be recommended to the Council (detailed in Annex E).
- 2.6 That the Cabinet acknowledges the issues and risks detailed in the Section 151 Officer's statement on the robustness of estimates and the adequacy of the reserves (Annex I).
- 2.7 That the Council be recommended to confirm the reserves strategy of protecting balances wherever possible to allow the option of supporting future years' budgets, aiming for a minimum level of unallocated general fund reserves of £2.75m at the end of 2008/09 having regard to the outcome of the financial risk assessment and increasing this over the medium term to £3m.
- 2.8 That the Council be recommended to increase the Council Tax by 4.5% for 2008/09 for its own purposes, thus excluding police, fire and parish precepts.
- 2.9 That the draft Fees and Charges set out in Annex K be noted.

3. Issues and Choices

3.1 Report Background

- 3.1.1 The Cabinet is proposing a budget for 2008/09 that takes into account the Council's corporate priorities and objectives to increase the resources available for front line services.
- 3.1.2 It does this by
 - a) Proposing a council tax increase of 4.5%
 - b) Proposing significant efficiency savings
 - c) Examining all possible efficiency savings and other ways of reducing expenditure or increasing income without affecting service levels.
 - d) Reflecting the views emerging from the public consultation
 - e) Adding unavoidable growth of £4.3m
 - f) Increasing funding for community engagement, graffiti removal, and public conveniences, for example.

3.1.3 The table below illustrates the service budget changes from 2007/08 to 2008/09.

Table 1 –Changes to Service Budgets

	£m
Service Efficiencies	(1.7)
Unavoidable Growth	4.3
Key Growth Items	0.7
Service Adjustments	(0.1)
Income Adjustments	(0.4)
	2.8

3.2 Issues

Draft Budget Position – Cabinet 17 December 2007

3.2.1 The Cabinet met on 17 December 2007 and recommended proposals for consultation. The headlines were:

- a) A Council Tax increase, for the Council's own purposes, of 4.95% for 2008/09, and that indicative annual increases of 4.95% be adopted as planning parameters for the financial years 2008/09 to 2010/11;
- b) A General Fund budget for 2008/09 of £31.6m, an increase of 3.3%, or £1.0m over the 2007/08 budget;

Consultation Feedback

3.2.2 Consultation has been undertaken with the public, business community, and other stakeholders during January 2008.

3.2.3 A number of methods were used to capture views, which included:

- a) Focus group workshops including, tenants, citizens panel, business community, voluntary sector, etc
- b) Open public meetings
- c) A detailed budget proposal brochure with questionnaire

3.2.4 The detailed brochure was made available both through copies being made available at public locations such as community centres, post offices, libraries, and supermarkets. It was also available through the council's website.

3.2.5 Full details of the public consultation and results are provided in Annex A.

3.2.6 In addition, each of the Overview and Scrutiny committees has had an opportunity to comment on the proposals. Their comments are attached at Annex B.

3.2.7 The headline results of the consultation were as follows:

- a) 39% supported the proposed council tax increase of 4.95%, while 60% felt it was too high.
- b) 54% opposed increasing parking charges by 6% in 2008/09 and 2010/11, while 73% opposed increasing them by 10% in the same time period.
- c) A similar response came in relation to proposals to increase leisure charges, with 53% opposing a 5% annual increase and 77% opposing a 10% annual increase.
- d) 79% supported the reinstatement of the graffiti removal team.
- e) 82% of respondents were in favour of reinstating the park rangers provision.
- f) 75% of people agreed with the proposal to invest in public conveniences across the town.

3.2.8 The Cabinet have considered the budget proposal in the light of the results of the public consultation, and has made a number of changes that reflect the views expressed in the consultation.

3.2.9 The following changes (among others) are therefore proposed in line with the comments received:

- a) The proposed council tax increase has been reduced to 4.5%.
- b) The proposals to increase parking charges have been dropped.
- c) The council invests in citizen engagement, public toilets, graffiti removal, and park rangers.

Adjustments

3.2.10 Further work on the budget has been undertaken to refine the budget since 17 December 2007. This has resulted in a small number of adjustments including those of a technical nature. A schedule of these changes can be found at Annex D.

Use of Balances

3.2.11 A prudent level of reserves, along with appropriate application of reserves, should be part of the overall budget. The Section 151 Officer reviews the level of balances required to support the general fund spend annually as part of a robust risk assessment. This risk assessment suggests that the minimum level of balances, taking all known risks into account along with the Council's gross expenditure requirement, should be in the order of £3m. It is therefore planned that the reserves will be increased gradually to this level over the medium term, reaching £3m by the end of 2010/11.

- 3.2.12 In determining the potential use of the reserves, the three year financial strategy takes into account previous years' spending trends, in particular the projected general fund 2007/08 outturn.
- 3.2.13 The revenue budget monitoring to the end of January 2008 shows an overall underspend of £0.346m. The 2007/08 budget assumes the use of £0.89m reserves in 2007/08, however an additional £562 has been required, mainly relating to concessionary fares and parking. The use of the General Fund Reserve is summarised in the table below.

Table 2: Forecast of General Fund Reserves as at the end of January 2008

		£,000
	General Fund Balance as at 01.04.2007	2,893
<i>Plus</i>	Budgeted contribution to reserves*	1,250
<i>Less:</i>	Budgeted Use of Reserves	(890)
<i>Less:</i>	Funding for concessionary fares	(312)
<i>Less:</i>	Funding for car parking	(250)
<i>Less:</i>	2007/08 forecast surplus attributable to General Fund as outlined in Table 1	346
	Total estimated General Fund balance at 31.03.2008	3,037
<i>Less:</i>	Funding for car parking	(280)
	Total estimated General Fund balance at 31.03.2009	2,757
<i>Plus:</i>	Planned Contribution to Reserves	100
	Total estimated General Fund balance at 31.03.2009	2,857
<i>Plus:</i>	Planned Contribution to Reserves	150
	Total estimated General Fund balance at 31.03.2009	3,007

- 3.2.14 It is planned to bring the level of reserves up to £3m by the end of 2010/11 by contributing £100k in 2009/10 and £150k in 2010/11.
- 3.2.15 It must be emphasised that the forecast of £3m reserves by the 31st March 2008 and £2.75m by the end of March 2009 is purely that, a forecast, and is not therefore guaranteed.

Final Formula Grant Settlement

- 3.2.16 The provisional 2008/09 finance settlement announced in December 2007 was confirmed on 24 January 2008 without any changes being made: The Councils representation to the government with regard to the settlement is presented at Annex C.

Table 3: 2008/09 Settlement and Proposed 2009/10 and 2010/11 Settlements

	2008/09 £m	2009/10* £m	2010/11* £m
Redistributed Business Rates	16.453	16.540	16.622
Revenue Support Grant	2.290	2.302	2.314
Total Formula Grant	18,743	18,842	18,936

Council Tax Level and Capping

- 3.2.17 As part of the pre budget report and SR2007 announcement the Chancellor emphasised that he expected the funding made available to local authorities together with the 3% cashable savings targets would ensure that council would keep council tax increases well below 5%.

LABGI – Local Authority Business Growth Incentive

- 3.2.18 It is unclear at this stage whether the authority is likely to receive any LABGI funding in the announcement due later in 2008. The announcement for this year is expected to be later than usual as the Government has been consulting on revisions to the methodology for distribution of this funding.
- 3.2.19 If an allocation is made, it would be imprudent to use any of this anticipated money to balance the general fund budget as this is a "one off" sum and is not guaranteed in future years.

Revised Proposals

- 3.2.20 Annex E sets out a summary of the revised budgets covering 2007/08 to 2010/11 to be recommended to the Council. The main features are:
- a) A Council Tax increase, for the Council's own purposes, of 4.5% for 2008/09 excluding parish precepts;
 - b) A General Fund budget for 2008/09 of £31.6m, an increase of 3.3%, or £1m from the 2007/08 budget.
 - c) Indicative annual Council Tax increases, for the Council's own purposes, of a planning parameter of 4.5% for 2009/10 – 2010/11 excluding precepts.

Medium Term Implications

- 3.2.21 In setting a budget for 2008/09, the Cabinet and the Council must take into account the implications for the following two years financial strategy, namely 2009/10–2010/11. There are significant planned efficiency savings in 2008/09 and the following years, which will require action to be taken now if they are to be secured within the planned timescales.
- 3.2.22 Annex E sets out the budget projections for 2008/09 to 2010/11 and the key features of the projections including assumptions of the level of Formula Grant and Council Tax funding.
- 3.2.23 The medium term plan assumes that the Council will achieve at least 3% year on year cashable efficiencies, and this has been built into the financial strategy from 2008/09 onwards. Plans will be developed to deliver the required savings as part of the 2008/09 medium term planning process.

- 3.2.24 The financial projections put into sharp relief the need to continue to:
- a) Continue to press the DCLG (Department of Communities and Local Government), and other government departments, to recognise the costs of growth in 2007/08 and beyond and to use realistic population projections for growth areas;
 - b) Continue the search for efficiencies as required by Government; and
 - c) Make sure the council's ambitions are set within the context of the available funding envelope.
- 3.2.25 The medium term budget projections also highlight the need to continue to develop the organisation's future strategy through the Council Plan. The key medium term financial issues identified are attached at Annex H.

Robustness of Estimates and Adequacy of Reserves

- 3.2.26 The Local Government Act 2003 places a duty on the Section 151 Officer (Chief Financial Officer) to comment on 'the robustness of the estimates' included in the budget and the adequacy of the reserves for which the budget provides. The development of this was a feature of the Overview and Scrutiny Committees review process.
- 3.2.27 The Council has adopted a risk-based approach when assessing the minimum level of reserves. The risk assessment is undertaken annually to ensure that new risks are taken into account as well as re-assessing current risks. Annex I details the recommendation for a minimum prudent level of General Fund reserves. A minimum level of £3.0m should be built up over the medium term.
- 3.2.28 The extent of new and changed demands relating to concessionary fares is as yet uncertain due to the unpredictable take up of the revised scheme and the undeterminable pattern and pace of the growth of the town. In view of these uncertainties it would be prudent to set aside resources to meet the costs of these pressures. This budget has been increased for both inflation and the estimated impact of these pressures. However, after further consideration of the potential volatility of this budget Cabinet is proposing to set aside a sum in an earmarked reserve for this purpose.

Fees and Charges

- 3.2.29 A schedule of draft Fees and Charges for 2008/09 is attached at Annex K. The Cabinet is recommended to note the fees and charges that have been reflected in the budgeted income figures. These figures have been reviewed through the Medium Term Planning process and updated where feasible.

The Next Steps

- 3.2.30 The timetable for the 2008/09 budget process requires a special meeting of the Council on 28 February 2008, at which consideration will be given to the recommendations of this Cabinet in relation to the expenditure and tax proposals that relate to the Council's own spending.

3.2.31 In addition to the Council's own Council Tax, there are separate Council Taxes for the county and the parishes. These precepting bodies have not yet set these Council Taxes, with the result that these will be reported to the Cabinet if known by that date and at Council on 28 February 2008 in any event.

3.3 Choices (Options)

3.3.1 It is recommended that Cabinet make the recommendations to Council as detailed in section 2 of this report.

3.3.2 The Cabinet may choose to make amendments to the proposed budgets or to the proposed council tax increase and adjust the budget proposals accordingly. It would then recommend the amended budget and council tax (if applicable) to Council.

4. Implications (including financial implications)

4.1 Policy

4.1.1 In carrying out its business, the authority has a number of general and specific duties which must be taken into account through the medium term planning process and on to the setting of the budget. Most duties to which the authority is subject are specific but some are generic to all of its functions, including the setting of the budget.

4.1.2 Current such duties include:

- a) the crime and disorder duty - to exercise its various functions with due regard to the likely effect of the exercise of those functions on, and the need to do all that it reasonably can to prevent, crime and disorder in its area; and
- b) the race equality duty - in carrying out its functions, to have due regard to the need
 - (i) to eliminate unlawful racial discrimination; and
 - (ii) to promote equality of opportunity and good relations between persons of different racial groups.
- c) the disability equality duty - in carrying out its functions to have 'due regard' in the exercise of all of the authority's functions to:
 - (i) eliminate unlawful disability discrimination, and
 - (ii) promote disability equality
- d) the gender equality duty - in carrying out its functions to have 'due regard' in the exercise of all of the authority's functions to
 - (i) eliminate unlawful gender discrimination, and
 - (ii) promote equality of opportunity between men and women.

4.2 Resources and Risk

- 4.2.1 The resource implications are detailed throughout the report and annexes.
- 4.2.2 Annex I addresses the robustness of the estimates and adequacy of the Council's reserves with reference to risks identified.

4.3 Legal

- 4.3.1 The Council must set a balanced budget by midnight on 11 March 2008 (Local Government Act 1992). Failure to do this would leave the Council potentially vulnerable to court action by way of judicial review on the part of the Audit Commission. Delay in sending out Council Tax demands would result in losses being incurred by the Council.
- 4.3.2 There are no further specific legal issues arising from this report.

4.4 Equality

- 4.4.1 Equality and Diversity were considered as a part of the budget build process, and an equalities assessment was completed as part of each medium term planning option submitted. (See also 4.1.2 above).

4.5 Consultees (Internal and External)

- 4.5.1 Internally Corporate Managers and Budget Managers have been consulted, and Management Board has carried out a detailed challenge of the budget.
- 4.5.2 The budget has also been consulted on with relevant stakeholders including the public, business community, voluntary sector, NBC employees, LSP, tenants and residents associations, citizens panel, key partnerships, faith groups and NBC Overview and Scrutiny. This was undertaken through the public consultation process that took place during January 2008.

4.6 How the Proposals deliver Priority Outcomes

- 4.6.1 All of the discretionary proposals in the draft budget have been assessed against the corporate priorities as set out in the Corporate Plan. A copy of this assessment can be found at annex J

4.7 Other Implications

The **Annexes** are set out as follows:

- A Consultation responses – Public Consultation
- B Consultation responses – Overview and Scrutiny Committees
- C Representations on the Provisional Settlement
- D Changes since 17 December 2007 Cabinet
- E Proposed Budget 2008/09 – 2010/11
- F1-3 Supporting Annexes of budget changes
- G Medium Term Planning Options
- H The Key Medium Term Financial Issues

- I Robustness of Estimates – Statement of the Section 151 Officer under the requirements of Section 25 of the Local Government Act 2003
- J Assessment of Revenue General Fund Budget proposal to Corporate Plan Priorities
- K Draft Fees and Charges 2008/09

5. Background Papers

5.1 Cabinet Reports:

17 December 2007	Council Wide Revenue Budget Proposal 2008-11
7 January 2008	Council Taxbase 2008/09
3 March 2008 (Currently in draft)	Budget Monitoring 2007/08 – Position as at the End of January 2008 (Draft)

5.2 External documents:

- HM Treasury - 2007 Pre-Budget Report and Comprehensive Spending Review.
- CLG – Provisional Local Government Finance settlement 2008/09 – 2010/11
- CLG – Local Government Finance Settlement 2008/09

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CABINET REPORT

SIGNATORIES

Report Title	COUNCIL WIDE GENERAL FUND REVENUE BUDGET 2008/09 – 2010/11
Date Of Call-Over	Not Applicable

Following Call-Over and subsequent approval by Management Board, signatures are required for all Key Decisions before submitting final versions to Meetings Services.

Name	Signature	Date	Ext.
Monitoring Officer or Deputy			
Section 151 Officer or Deputy			