

Appendices



Item No.

**NORTHAMPTON**  
BOROUGH COUNCIL

## CABINET REPORT

<b>Report Title</b>	<b>COUNCIL WIDE GENERAL FUND REVENUE BUDGET 2009/10 – 2011/12</b>
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**AGENDA STATUS: PUBLIC**

<b>Cabinet Meeting Date:</b>	19 February 2009
<b>Key Decision:</b>	YES
<b>Listed on Forward Plan:</b>	YES
<b>Within Policy:</b>	YES
<b>Policy Document:</b>	NO
<b>Directorate:</b>	Governance and Improvement
<b>Accountable Cabinet Member:</b>	Malcolm Mildren
<b>Ward(s)</b>	N/A

### 1. Purpose

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- 1.1 To report the outcome of the consultation process on the 2009/10 General Fund budget and the final formula grant settlement for 2009/10.
- 1.2 To agree the Cabinet's proposals for recommendation to Council on 26 February 2009 for the 2009/10 to 2011/12 General Fund budgets, Council Tax level for 2009/10 and indicative levels for 2010/11 – 2011/12.

### 2. Recommendations

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- 2.1 That the feedback from consultation with the public, organisations and the Overview and Scrutiny Committees, be considered and welcomed (detailed at Annexes 1 and 2).
- 2.2 That the Council's representations on the provisional formula grant settlement be noted (Annex 3).
- 2.3 That the projected 2008/09 outturn position of £66k under spend (as at the end of December 2009) be noted.

- 2.4 That the changes to the proposed budget (detailed at Annex 4), in light of the consultation responses and the final formula grant settlement, be agreed.
- 2.5 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 9).
- 2.6 That the draft Fees and Charges set out in Annex 11 be noted.
- 2.7 That Cabinet agree that the additional £82.8k of LABGI awarded in 2008/09, together with any remaining unallocated LABGI funding in the Corporate Initiatives Reserve at the end of 2008/09 be set aside in an earmarked reserve for one off regeneration purposes.
- 2.8 That Council be recommended to delegate authority to the Chief Executive and Director of Finance and Support to implement all budget options and restructurings.
- 2.9 That authority be delegated to the Director of Finance and Support in consultation with the Portfolio Holder for Finance, and where appropriate the relevant Director and Portfolio Holder to:
- transfer monies from earmarked reserves should that become necessary during the financial year.
  - to update the budget tables and annexes, prior to Council should any further changes be necessary.
  - to update prudential indicators in both the Prudential Indicators report and Treasury Strategy report , prior to Council for any budget changes that impact on these.
- 2.11 That a General Fund budget for 2009/10 of £32.4m, be recommended to the Council (detailed in Annex 5) for its own purposes.
- 2.12 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 £2.6m at the end of 2009/10 having regard to the outcome of the financial risk assessment and remaining at this level over the medium term.
- 2.13 That the Council be recommended to increase the Council Tax by 3.9% for 2009/10 for its own purposes, thus excluding county, police, and parish precepts.

### 3. Issues and Choices

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#### 3.1 Report Background

- 3.1.1 The Cabinet is proposing a budget for 2009/10 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 3.9%
  - 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
- 3.1.3 Strategic Business Reviews will continue into 2009/10 with a view to changing the business model of the Council and making services more efficient and improving the value for money they provide. This will help to address the level of any gap in future years.

#### **Draft Budget Position – Cabinet 22 December 2008**

- 3.1.4 The Cabinet met on 22 December 2008 and recommended proposals for consultation. The headlines were:
- a) A proposed council tax increase, for the Council's own purposes, of 4.95% for 2009/10, and that indicative annual increases of 4.95% be adopted as planning parameters for the financial years 2010/11 to 2011/12;
  - b) A General Fund budget for 2009/10 of £34.34m (including an identified funding gap of £1.9m). As the council must balance its budget, this would give a budget of £32.4m once the funding gap has been addressed.
- 3.1.5 The Council has faced significant challenges in balancing the 2009/10 budget. At that point pressures on income, inflation and shortfalls in government funding were estimated to be circa £6.180m as outlined in Table 1 below.

**Table 1: Major pressures identified at 22 December 2009**

	<b>£m</b>
Major Inflationary Pressures	2.347
Pressures arising from Government Schemes	1.556
Pressures arising from the Economic Environment	2.277*
	<b>6.180</b>

\*Updated since December report

3.1.6 Efficiency savings of £1.241m had already been built into the continuation budget and budget options of £5.669m had been proposed for consultation to reduce the gap. A small amount of essential growth totalling £0.189m was proposed. This left a gap of £1.910m to be addressed through further options to be developed during January.

### **Draft Budget Position – Cabinet 4 February 2009**

3.1.7 Since the draft budget was proposed to Cabinet on 22 December 2009 the economic environment has deteriorated further. Take up in concessionary fares has increased, adding a further £100k pressure to the budget, and with the bank rate now sitting at 1%, the estimate for income through investment and other general fund related items has been reduced by a further £900k. Roughly each 0.5% reduction in the investment rate achievable equates to £300k.

3.1.8 Further income and saving options, totalling £2.124m were considered by Cabinet on 4 February.

3.1.9 The table below illustrates the medium term planning options now being proposed for 2009/10.

**Table 2 – Medium Term Planning Options**

	<b>£m</b>
Service Adjustments – Level 1	(1.437)
Service Adjustments – Level 2	(4.915)
Income Adjustments	(1.161)
Key Growth Items	0.376
	<b>(7.137)</b>

## **3.2 Issues**

### **Consultation Feedback**

3.2.1 Consultation has been undertaken with the public, business community, and other stakeholders during January 2009.

3.2.2 The consultation included the proposed Corporate Plan and Capital Programme 2009-12 as well as the general fund revenue budget proposals.

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

- a) Focus group workshops.
- b) Circulation of a detailed budget proposal brochure with questionnaire
- c) Consultation with the business community

- 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.
- 3.2.5 In addition the budget consultation was available through the council's website.
- 3.2.6 Full details of the public consultation and results are provided in Annex 1. There was a significant increase in the number of responses compared to the previous year, with 222 responses being received.
- 3.2.7 According to the analysis of the consultation responses, when asked to identify which option they supported most, the majority of respondents supported:
- a) End Balloon Festival
  - b) Increase fees for licensing
  - c) Re-organise the neighbourhood wardens and enforcement on environmental issues
  - d) Introduce charges for pest control
  - e) Closure of Weston Favell and/or Kingsthorpe Housing Office
  - f) Reduce cost of community centres through efficiencies
- 3.2.8 Respondents voiced the least support for the proposals for:
- a) Closure of museum(s) part of the time
  - b) Increase fees for leisure services
  - c) Replace toilets with "community toilets"
  - d) Replace Balloon Festival
  - e) Focus street cleaning and grounds maintenance
  - f) Increase fees for collection of bulky waste items
- 3.2.10 In some areas this contrasted with the outcomes from the focus groups, held in January 2009. In particular, both groups least supported the ending of the balloon festival, while the most support went to the increase in bulky waste collection costs in one group and closure of district offices in the other group.
- 3.2.11 In addition, the budget proposals were reviewed in detail by the Overview and Scrutiny 3 Reporting and Monitoring Task and Finish Group. This group referred a number of specific revenue budget proposals to the relevant Overview and Scrutiny Committee to review. The comments of the Overview and Scrutiny Committees are attached at Annex 2 for consideration by Cabinet.

- 3.2.12 The Council must set a prudent, balanced budget, particularly in light of the current economic environment and the constraints imposed on them through the government funding regime. Whilst recognising the overall financial position, the Cabinet is able to propose a small number of changes to the draft budget proposals.
- 3.2.13 The Cabinet has considered the budget proposals in the light of the results of the public consultation, Overview and Scrutiny comments and other discussions and representations from key partners, and has made a number of changes that reflect the views expressed in the consultation.
- 3.2.14 The following changes (among others) are therefore proposed in line with the comments received:
- a) The proposed council tax increase has been reduced from 4.95% to 3.9% for 2009/10.
  - b) The proposals around public conveniences and the Richmond scheme have been modified to ensure that there is continued provision of toilet facilities for the public.
  - c) Additional funding for bus station cleaning

### 3.2.15 **Adjustments**

- 3.2.16 Further work on the budget has been undertaken to refine the budget since 22 December 2008. This has resulted in a number of new options and adjustments including those of a technical nature. A schedule of all changes since the 22 December Cabinet proposals can be found at Annex 4.

### **Use of Balances**

- 3.2.17 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 £2.5m for 2009/10.
- 3.2.18 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 2008/09 outturn.
- 3.2.19 The revenue budget monitoring to the end of December 2008 shows an overall under spend of £0.066m\*. The 2009/10 budget assumes no use of general reserves in 2009/10. The expected movement on the General Fund Reserve is summarised in the table below.

**Table 3: Forecast of General Fund Reserves as at the end of January 2009**

		£,000
	<b>General Fund Balance as at 01.04.2008</b>	<b>2,691</b>
<i>Plus:</i>	Budgeted contribution to reserves	0
<i>Less:</i>	Budgeted Use of Reserves	-280
<i>Less:</i>	2008/09 forecast under spend attributable to General Fund as at the end of December 2008*	66
	<b>Total estimated General Fund balance at 31.03.2009</b>	<b>2,477</b>
<i>Plus:</i>	Planned Contribution to Reserves	100
	<b>Total estimated General Fund balance at 31.03.2010</b>	<b>2,577</b>
<i>Plus:</i>	Planned Contribution to Reserves	150
	<b>Total estimated General Fund balance at 31.03.2011</b>	<b>2,727</b>
<i>Plus:</i>	Planned Contribution to Reserves	0
	<b>Total estimated General Fund balance at 31.03.2012</b>	<b>2,727</b>

3.2.20 The authority plans to bring the level of reserves up to £2.7m by the end of 2010/11 by contributing £100k in 2009/10 and £150k in 2011/12.

3.2.21 It must be emphasised that the forecast level of reserves by the 31st March each year is purely that, a forecast, and is not therefore guaranteed.

#### **Final Formula Grant Settlement**

3.2.22 The provisional 2009/10 finance settlement announced in December 2007, and unchanged as at December 2008, was confirmed on 21 January 2009 without any further changes being made. The Councils representation to the government with regard to the settlement is presented at Annex 3.

**Table 4: 2008/09 and 2009/10 Settlements and Proposed 2010/11 Settlement**

	2008/09 £m	2009/10 £m	2010/11* £m
Redistributed Business Rates	16.453	15.309	16.215
Revenue Support Grant	2.290	3.534	2.721
<b>Total Formula Grant</b>	<b>18,743</b>	<b>18,843</b>	<b>18,936</b>

*\*The actual RSG/NNDR split has yet to be confirmed for 2010/11, so an estimate has been provided based on previous years.*

## **Council Tax Level and Capping**

- 3.2.23 As part of the pre budget report in December 2008 the Chancellor reiterated his Spending Review 2007 announcement, emphasising that he expected the funding made available to local authorities together with the Government's cashable efficiency savings targets would ensure that council would keep council tax increases substantially below 5%.

## **LABGI – Local Authority Business Growth Incentive**

- 3.2.24 It is unclear at this stage whether there will be a LABGI announcement in 2009 (for 2009/10). While the SR2007 indicated no announcement for this year, there have been signs of a possible shift in this position.
- 3.2.25 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. It is therefore recommended that any allocation that should be received is set aside in earmarked reserves for allocation to appropriate one off expenditure.
- 3.2.26 An additional allocation for 2008/09 of £82,806 was announced at the beginning of February 2009. It is recommended that this is set aside in an earmarked reserve for one off regeneration purposes.

## **Meeting with the Minister**

- 3.2.27 Sally Keeble MP, the Leader and Chief Executive met with the John Healey, the local government minister, in January to discuss the Council's overall financial position, particularly in relation to its improvement journey and the expansion of Northampton.
- 3.2.28 Whilst no guarantees of additional funding were made, the minister has asked for a paper outlining our requirement for funding for strategic business reviews, which will help support our ability to further improve and deliver savings necessary for future year budget requirements.
- 3.2.29 Our application for capitalisation of potential costs of redundancy arising from restructure proposals was also discussed, along with other potential requests for capitalisation of costs in 2009/10.
- 3.2.30 The Council received notification from the department of communities and local government on 31<sup>st</sup> January that the capitalisation application for redundancy and pension fund strain costs incurred in 2008/09 had been approved.

## **Revised Proposals**

- 3.2.31 Annex 5 sets out a summary of the revised budgets covering 2009/10 to 2011/12 to be recommended to the Council. The main features are:
- a) A Council Tax increase, for the Council's own purposes, of 3.9% for 2009/10 excluding precepts;
  - b) A General Fund budget for 2009/10 of £32.4m.



- c) Indicative annual Council Tax increases, for the Council's own purposes, of a planning parameter of 3.9% for 2010/11 – 2011/12 excluding precepts.

### **Medium Term Implications**

- 3.2.32 In setting a budget for 2009/10, the Cabinet and the Council must take into account the implications for the following two years financial strategy, namely 2010/11 – 2011/12. There are significant planned efficiency savings in 2009/10 and the following years, which will require action to be taken now if they are to be secured within the planned timescales.
- 3.2.33 Annex 5 sets out the budget projections for 2009/10 to 2011/12 and the key features of the projections including assumptions of the level of Formula Grant and Council Tax funding.
- 3.2.34 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 2009/10 onwards. Plans will be developed to deliver the required savings as part of the 2010/11 medium term planning process.
- 3.2.35 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 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.
- 3.2.36 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 8.

### **Robustness of Estimates and Adequacy of Reserves**

- 3.2.37 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.
- 3.2.38 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 9 details the recommendation for a minimum prudent level of General Fund reserves. A minimum level of £2.75m should be built up over the medium term.
- 3.2.39 The Audit Committee at its meeting on 17 February reviewed the high level risk assessment and implementation plans for the budget options proposed by the Cabinet at their meetings on 22 December 2008 and 4 February 2009.

- 3.2.40 As has been visible in the media, world financial markets are experiencing a period of substantial volatility, which impacts directly on one of the Council's key income streams. The Cabinet is therefore proposing to establish an earmarked reserve to provide additional protection for the Council in managing these risks.

### **Fees and Charges**

- 3.2.41 A schedule of draft Fees and Charges for 2009/10 is attached at Annex 11. 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**

- 3.2.42 The timetable for the 2009/10 budget process requires a special meeting of the Council on 26 February 2009, 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.
- 3.2.43 In addition to the Council's own Council Tax, there are separate Council taxes for the county, police, and the parishes. These precepting bodies have not yet set their Council Taxes, with the result that these will be reported to the Cabinet if known by that date and at Council on 26 February 2009 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, in consultation with the Chief Finance Officer. It would then recommend the amended budget and council tax (if applicable) to Council.

## **4. Implications (including financial implications)**

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### **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 9 addresses the robustness of the estimates and adequacy of the Council's reserves with reference to risks identified.
- 4.2.3 A detailed report on risk and the 2009-12 budget was also considered by Audit Committee at its meeting on 17 February 2009, which is a background paper to this report.

## **4.3 Legal**

- 4.3.1 The Council must set a balanced budget by midnight on 11 March 2009 (Local Government Finance 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).
- 4.4.2 Annex 12 to the report contains a summary of the issues identified as a result of these assessments. Where issues have been identified, the detailed Equalities Impact Assessment will be used to inform the implementation of the budget option.

## **4.5 Consultees (Internal and External)**

- 4.5.1 Internally Heads of Service 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, key partners and NBC Overview and Scrutiny. This was undertaken through the public consultation process that took place during January 2009.

#### **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 10

#### **4.7 Other Implications**

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

- 1 Consultation responses – Public Consultation
- 2 Consultation responses – Overview and Scrutiny Committees
- 3 Representations on the Provisional Settlement
- 4 Changes since 22 December 2008 Cabinet
- 5 Proposed Budget 2009/10 – 2011/12
- 6 Supporting Annexes of proposed budgets by service
- 7 Medium Term Planning Options:
  - 7a Level 1 Savings
  - 7b Level 2 Savings
  - 7c Income
  - 7d Investment
- 8 The Key Medium Term Financial Issues
- 9 Robustness of Estimates – Statement of the Section 151 Officer under the requirements of Section 25 of the Local Government Act 2003
- 10 Assessment of Revenue General Fund Budget proposal to Corporate Plan Priorities
- 11 Draft Fees and Charges 2009/10
- 12 Summary of Issues arising from Equalities Impact Assessments

## 5. Background Papers

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- 5.1 Cabinet Reports:
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| 22 December 2008                         | Council Wide Revenue Budget Proposal 2009-12                                   |
| 22 December 2008                         | Council Taxbase 2009/10  |
| 4 February 2009                          | Revenue Budget 2009-12 Further Options   |
| 25 February 2009<br>(Currently in draft) | Budget Monitoring 2008/09 – Position as at the<br>End of December 2008 (Draft) |
- 5.2 Overview and Scrutiny Reports:
- |                  |                                       |
|------------------|---------------------------------------|
| 18 December 2008 | Review of the Proposed Budget 2009-12 |
| 26 January 2009  | General Fund Revenue Budget 2009-12   |
| 29 January 2009  | General Fund Revenue Budget 2009-12   |
| 3 February 2009  | General Fund Revenue Budget 2009-12   |
- 5.3 Audit Committee Reports:
- |                  |  |
|------------------|--|
| 17 February 2009 | Revenue Budget 2009-12 – Risk Assessment |
|------------------|--|
- 5.4 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 2009/10

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