



NORTHAMPTON
BOROUGH COUNCIL

Item No.
[For Democratic
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DRAFT
CABINET REPORT

Report Title	COUNCIL WIDE GENERAL FUND REVENUE BUDGET 2012/13 TO 2014/15
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AGENDA STATUS: PUBLIC

Cabinet Meeting Date:	22 February 2012
Key Decision:	YES
Listed on Forward Plan:	YES
Within Policy:	YES
Policy Document:	YES
Directorate:	Finance and Support
Accountable Cabinet Member:	Cllr A Bottwood
Ward(s)	N/A

1. Purpose

- 1.1 To report the outcome of the consultation process on the 2012/13 General Fund budget and the final formula grant settlement for 2012/13.
- 1.2 To agree the Cabinet's proposals for recommendation to Council on 29 February 2012 for the 2012/13 to 2014/15 General Fund budgets, Council Tax level for 2012/13 and indicative levels for 2012/13 – 2014/15.

2. Recommendations

- 2.1 That the feedback from consultation with the public, organisations and the Overview and Scrutiny Committee be considered and welcomed (detailed at **Appendices 1a, 1b, 1c and 1d**).
- 2.2 That the Council's representations on the provisional formula grant settlement be noted (**Appendix 2**)
- 2.3 That the changes to the proposed budget (detailed at **Appendix 3**), in light of the consultation responses, equalities issues and the final formula grant settlement, be agreed.

- 2.4 That a General Fund budget for 2012/13 of £27.38m (excluding parishes) be recommended to the Council (detailed in **Appendices 4 and 5**) for its own purposes.
- 2.5 That the Cabinet notes the key medium term financial issues as set out at **Appendix 6**.
- 2.6 That the Cabinet notes the Chief Finance Officer's legal duties detailed in the letter from the Chairman of CIPFA (**Appendix 7**).
- 2.7 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 (**Appendix 8**).
- 2.8 That the draft Fees and Charges set out in **Appendix 9** be noted.
- 2.9 That authority be delegated to the Director of Finance to make any technical changes necessary to the papers for the Council meeting of 29 February 2012.
- 2.10 That Council be recommended to delegate authority to the Chief Executive and Director of Finance and Support to implement all budget options and restructures.
- 2.11 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 to/from earmarked reserves should that become necessary during the financial year.
 - update the budget tables and appendices, prior to Council should any further changes be necessary.
 - update prudential indicators in both the Prudential Indicators report and Treasury Strategy report, for Council for any budget changes that impact on these.
- 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 balances of £3m at the end of 2012/13 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 not to increase the Council Tax for its own purposes, that is, excluding county, police, and parish precepts for 2012/13.

3. Issues and Choices

3.1 Report Background

- 3.1.1 The Cabinet is proposing a budget for 2012/13 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 no council tax increase for 2012/13,
 - b) Examining all possible efficiency savings and other ways of reducing expenditure or increasing income without affecting service levels,

- c) Proposing significant efficiency savings,
- d) Reflecting the views emerging from the public consultation.

3.2 Issues

Consultation Feedback

- 3.2.1 The consultation process was carried out from 22 December 2011 until 31 January 2012. The aim of this consultation was to find out people's views on the draft budget proposals presented.
- 3.2.2 Residents, businesses, and other stakeholders were invited to provide feedback on the proposals for the draft budget during the consultation period and support was made available to maximise involvement and understanding of the proposals.
- 3.2.3 People were able to engage in a range of methods including:
 - The consultation proposals and questionnaire were available to download and complete on-line via the Council's website. An e-mail address, freepost address and consultation phone line were set up to receive comments/views etc. (**Appendix 1a.**)
 - Invitation to the business community via the Chamber of Commerce, their network and the Federation of Small Businesses;
 - Question Time Event -Open public meeting held at the Guildhall on 26 January 2012; (**Appendix 1b.**)
 - Council's budget proposals debated at Community Forums (Diverse Community Forum, LGB People's Forum, Pensioners and Disabled People's Forums); (**Appendix 1c**)
- 3.2.4 Public consultation showed the majority of respondents to be broadly in agreement with the Council's budget proposals (**Appendix 1a**).
- 3.2.5 In addition, Overview and Scrutiny Committee reviewed the budget proposals at its meeting on 23 January 2012. The recommendations of the Overview and Scrutiny Committees are reported in **Appendix 1d**.
- 3.2.6 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.
- 3.2.7 The Cabinet has considered the budget proposals, taking into account the financial position, 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.
 - 3.2.7.1 Enhanced Housing Management Charge. The Cabinet has carefully considered this option and will be consulting current tenants therefore the option has been scaled down to £100,000.
 - 3.2.7.2 Licensing Officer: The Cabinet have agreed to create an additional Licensing Officer post. This will allow the Licensing Team to take a more high profile, proactive approach.
 - 3.2.7.3 There has been an increase in drivers using our car parks following the successful reduction in car-park charges, including the 'first hour free'

offering, which means the estimated cost of the scheme has reduced by £70,000.

- 3.2.7.4 Senior Management Restructure: This has resulted in savings of just over £325K savings and 4 posts in addition to the 3 posts deleted in 2011/12. The budget has therefore been adjusted to reflect this saving, although it should be noted that some of this saving had been already shown in the draft budget in December.
- 3.2.7.5 An additional neighbourhood warden post will be created, to enhance our work in neighbourhoods and our contribution to community safety. The funding has been found within the continuation budget following a budget review.
- 3.2.7.6 There have been a number of other adjustments, mainly of a technical nature. All adjustments can be found at **appendix 3** to this report.
- 3.2.8 Equally there are areas where, whilst the Cabinet has considered views raised during consultation, they have decided not to make any changes to the budget proposals. The key areas are outlined below:
 - 3.2.8.1 PCSOs. The Cabinet has carefully considered views on PCSOs and the proposal to end Northampton Borough Council funding for these posts. The Borough has made a financial contribution to the Police for this service but has no influence in what PCSOs are supplied to areas of the Borough. This is a funding decision only for the Borough Council, and the Cabinet believes that it is the responsibility of Northamptonshire Police Authority to supply and fund this service.
 - 3.2.8.2 Review of Close Circuit Television (CCTV) Operations. There were a number of representations in this area. The option will not result in any cameras being switched of in 2012/13. This will not lessen our ability to respond to incidents. The Borough Council will work with community groups and businesses to minimise the impact of any future year changes.
 - 3.2.8.3 Councillor Community Fund: The Cabinet feel that the creation of this fund will benefit local community groups who otherwise struggle to obtain small amounts of funding which can make a significant difference locally. This is in accord with the Localism Act 2011.

Draft Budget Position – Cabinet 21 December 2011

- 3.2.9 The Cabinet met on 21 December 2011 and recommended proposals for consultation. The headlines were:
 - a) No proposed council tax increase, for the Council's own purposes, for 2012/13, and no annual increases be adopted as planning parameters for the financial years 2012/13 to 2014/15;
 - b) A General Fund budget for 2012/13 of £28.4m (including parishes).
- 3.2.10 New efficiency savings and medium term planning savings and income options totalling £1.8m had been proposed for consultation to reduce the gap. Investment in priority areas totalling £1.2m was also proposed for 2012/13.

Draft Budget Position – Cabinet 22 February 2012

3.2.11 Further work on the budget has been undertaken to refine the budget since 21 December 2011. This has resulted in a number of new options and adjustments including those of a technical nature.

3.2.12 Since the draft budget was proposed by Cabinet on 21 December 2011 the position has changed as follows:

Changes since 21 December 2011 Cabinet

	2012/13 Budget Changes £
Reduction in Funding for Enhanced housing Management Charge	290,000
Additional Licensing Officer	35,000
Improved Car Park Income Projections	(70,000)
Net additional savings from Senior Management Review	(167,993)
Additional funding for the Enterprise Zone	48,000
Adjustment to Debt Financing	(315,444)
Adjustment to Taxbase	10
Reduced Funding from Earmarked Reserves	180,427

3.2.13 A schedule of all changes since the 21 December 2011 Cabinet proposals can be found at **Appendix 3**.

Use of Balances

3.2.14 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 for 2012/13.

3.2.15 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 2011/12 outturn.

3.2.16 The Chief Finance Officer recommends that a minimum prudent level of reserves be set at £3m for 2012/13 (target for 31 March 2012) subject to achieving an overall saving in 2011/12 (on debt financing) sufficient to achieve this. This will be reviewed at least annually. This minimum level is designed to cope with unpredictable circumstances, which cannot be addressed by management or policy action within the year.

3.2.17 Note that this does not represent a medium-long term safe level of reserves. The level can only accommodate the impact of significant events up to the level set, and would need to be replenished if one or more such events actually occur.

3.2.18 The 2012/13 budget assumes no use of general reserves in 2012/13. The expected movement on the General Fund Reserve is summarised in the table below.

Forecast of General Fund Reserves as at the end of January 2012

		£m
	General Fund Balance as at 01.04.2011	2.67
<i>Plus:</i>	Budgeted contribution to General Fund balances	0.1
	Saving mainly due to Debt Financing (subject to outturn)	0.13
	Total estimated General Fund balance at 31.03.2012	2.9
<i>Plus:</i>	Budgeted contribution to General Fund balances	0.1
	Total estimated General Fund balance at 31.03.2013	3.0
	Total estimated General Fund balance at 31.03.2014	3.0
	Total estimated General Fund balance at 31.03.2015	3.0

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

Final Formula Grant Settlement

3.2.20 The provisional 2012/13 finance settlement was announced in December 2010, and was confirmed on 31 January 2012 with no changes. The Councils representation to the government with regard to the settlement is shown at **Appendix 2**.

Formula Grant Settlements 2010/11 to 2012/13

	2010/11 £m	2011/12 £m	2012/13 £m*
Redistributed Business Rates	16.535	10.852	13.041
Revenue Support Grant	2.401	3.354	0.253
Total Formula Grant	18.936	14.206	13.294

**The 2011/12 ongoing council tax freeze grant has been rolled into the formula grant by CLG from 2012/13.*

Revised Proposals

3.2.21 **Appendix 5** sets out a summary of the revised budgets covering 2012/13 to 2014/15 to be recommended to the Council. The main features are:

- No Council Tax increase, for the Council's own purposes (excluding precepts), for 2012/13;
- A General Fund budget for 2012/13 of £28.4m (including parishes).
- A planning parameter of 0% indicative annual Council Tax increases, for the Council's own purposes (excluding precepts), for 2012/13 – 2014/15.

3.2.22 The Council's budget for its own purposes (excluding parishes) is £27.38m.

The Council's Budget for its Own Purposes

	£m
Revenue Budget Requirement including Parishes	28.359
Less Parish Precepts	(0.978)
Amount to be Funded by Formula Grant and Council Tax Excluding Parishes	27.381

3.2.23 CLG have set the capping criteria as a council tax increase of 3.5% or less. The NBC budget proposes a 0% council tax increase, and therefore falls well within the capping targets.

Medium Term Implications

3.2.24 In setting a budget for 2012/13, the Cabinet and the Council must take into account the implications for the following two years financial strategy, namely 2013/14 – 2014/15. There are significant planned efficiency savings in 2012/13 and the following years, which will require action to be taken now if they are to be secured within the planned timescales.

3.2.25 **Appendix 4** sets out the budget projections for 2012/13 to 2014/15 and the key features of the projections including assumptions of the level of Formula Grant and Council Tax funding.

3.2.26 The medium term plan assumes that the Council will achieve year on year cashable efficiencies, 2012/13, and this has been built into the financial strategy from 2012/13 onwards. Plans will be developed to deliver the required savings as part of the 2012/13 medium term planning process.

3.2.27 The financial projections put into sharp relief the need to continue to:

- a) Continue the search for efficiencies in accordance with Government requirements; and
- b) Make sure the council's ambitions are set within the context of the available funding envelope.

3.2.28 The medium term budget projections also highlight the need to continue to develop the organisation's future strategy through the Corporate Plan. The key medium term financial issues identified are attached at **Appendix 6**.

Robustness of Estimates and Adequacy of Reserves

3.2.29 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.

3.2.30 **Appendix 7**, a letter from the Chairman of CIPFA, highlights the Chief Financial Officer's legal duties and responsibilities in respect of the robustness of estimates.

3.2.31 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.

3.2.32 The Audit Committee at its meeting on 9 January reviewed risk assessments of proposed budget options and implementation plans for the budget options proposed by the Cabinet at its meetings on 21 December 2011 and 22 February 2012.

3.2.33 The Statement on the Adequacy of Reserves and Robustness of Estimates is presented at **Appendix 8**.

Fees and Charges

3.2.34 The schedule of draft Fees and Charges for 2012/13 is attached at **Appendix 9**. 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

3.2.35 The timetable for the 2012/13 budget process requires a special meeting of the Council on 29 February 2012, 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.

3.2.36 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 all set their Council Taxes, with the result that these will be reported to the Cabinet if known by that date and at Council on 29 February 2012 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, taking into account the items detailed for noting.

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)

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

- to eliminate unlawful racial discrimination; and
 - 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:
- eliminate unlawful disability discrimination, and
 - 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
- eliminate unlawful gender discrimination, and
 - 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 Appendix 7 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 2012-15 budget was also considered by Audit Committee at its meeting on 9 January 2012, 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 2012 (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 The authority has specific legal duties in relation to equalities and financial decision making – see 4.4 below.
- 4.3.3 There are no further specific legal issues arising from this report

4.4 Equality

- 4.4.1 The Equality and Human Rights Commission (EHRC) has published a paper on The Public Sector Equality Duties and Financial Decisions to advise and inform local authorities in light of a number of recent court cases. The legal duties each authority has aim to ensure that "public authorities work to eliminate discrimination and promote equality in their activities".
- 4.4.2 "Public authorities must ensure that decisions are made in such a way as to minimise unfairness, and do not have a disproportionately negative effect on people from different ethnic groups, disabled people, and men and women." (EHRC).
- 4.4.3 Equality and Diversity were considered as part of the budget build process, and an equalities assessment/screening was completed as part of each appropriate medium term planning option submitted. These were made public as part of the budget consultation. All Equalities Impact Assessments have

been reviewed and updated for feedback from the consultation where relevant.

- 4.4.4 Members are required to have specific regard to the equalities issues identified when making the decision to approve the budget options. The detailed Equalities Impact Assessments are available on the Internet as a background paper to this report.
- 4.4.5 Where issues have been identified and the option is approved, 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, forums, key partners and NBC Overview and Scrutiny. This was undertaken through the public consultation process during January and February 2012.

4.6 How the Proposals deliver Priority Outcomes

- 4.6.1 All of the discretionary investment proposals in the draft budget reflect the corporate priorities as set out in the Corporate Plan

4.7 Other Implications

- 4.7.1 The Appendices are set out as follows:
 - 1a Consultation responses – Public Consultation
 - 1b Question Time – Public Meeting
 - 1c Consultation with Community Forums
 - 1d Consultation responses – Overview and Scrutiny Committees
 - 2 Representations on the Provisional Settlement
 - 3 Changes since 21 December 2011 Cabinet
 - 4 Proposed Budget Summary 2012/13 – 2014/15
 - 5 Schedule of Budget Options 2012/13 – 2014/15
 - 6 The Key Medium Term Financial Issues 2012/13 – 2014/15
 - 7 Legal Duties of the Chief Finance Officer
 - 8 Robustness of Estimates – Statement of the Section 151 Officer under the requirements of Section 25 of the Local Government Act 2003
 - 9 Draft Fees and Charges 2012/13

5. Background Papers

- 5.1 Cabinet Reports:
 - 22 February 2012 Corporate Plan 2012-15

- 21 December 2011 Draft Budget 2012-15
- 23 November 2011 Medium Term Financial Strategy 2012-2015

5.2 Overview and Scrutiny Reports:

- 23 January 2012 Council Wide Draft Budget 2012/13 to 2014/15

5.3 Audit Committee Reports:

- 9 January 2012 Risk Review of 2012/13 Budget Options

5.4 Equalities Impact Assessments (NBC Internet website)

5.5 External documents:

- HM Treasury – Spending Review 2010.
- CLG – Local Government Finance Settlement 2012/13
- Equalities and Human Rights Commission – The Public Sector Equality Duties and Financial Decisions

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