



CABINET REPORT

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| Report Title | COUNCIL WIDE GENERAL FUND REVENUE BUDGET 2013/14 TO 2015/16 |
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AGENDA STATUS: PUBLIC

| | |
|------------------------------------|---------------------|
| Cabinet Meeting Date: | 20 February 2013 |
| 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 2013/14 General Fund budget and the final formula funding settlement for 2013/14.
- 1.2 To agree the Cabinet's proposals for recommendation to Council on 25 February 2013 for the 2013/14 to 2015/16 General Fund budgets, Council Tax level for 2013/14 and indicative levels for 2014/15 and 2015/16.

2. Recommendations

- 2.1 That the feedback from consultation with the public, organisations and the Overview and Scrutiny and Audit Committees be considered and welcomed (detailed at **Appendices 1a, 1b, and 1c**).
- 2.2 That the Council's representations on the provisional formula funding 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 funding settlement, be agreed.

- 2.4 That a General Fund budget for 2013/14 of £27.14m (excluding parishes) be recommended to the Council (detailed in **Appendices 4, 5, 6a and 6b**) for its own purposes.
- 2.5 That the Cabinet notes the key medium term financial issues as set out at **Appendix 7**.
- 2.6 That the Cabinet acknowledges the issues and risks detailed in the Chief Finance Officer's statement on the robustness of estimates and the adequacy of the reserves (**Appendix 8**).
- 2.7 That the draft Fees and Charges set out in **Appendix 9** be noted.
- 2.8 That authority be delegated to the Chief Finance Officer to make any technical changes necessary to the papers for the Council meeting of 25 February 2013.
- 2.9 That Council be recommended to delegate authority to the Chief Executive and Chief Finance Officer to implement all budget options and restructures.
- 2.10 That authority be delegated to the Chief Finance Officer 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.
- 2.11 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 at least £3.1m for 2013/14 having regard to the outcome of the financial risk assessment and remaining at this level over the medium term.
- 2.12 That the Council be recommended not to increase the Council Tax for its own purposes, that is, excluding county, police, and parish precepts for 2013/14.

3. Issues and Choices

3.1 Report Background

- 3.1.1 The Cabinet is proposing a budget for 2013/14 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 2013/14,
 - 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 19 December 2012 until 31 January 2013. 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 comment sent 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.
 - Council's budget proposals debated at Community Forums (Diverse Community Forum, LGB People's Forum, Pensioners and Disabled People's Forums)
- 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 Overview and Scrutiny Committee reviewed the budget proposals at its meeting on 31 January 2013. The views of the Overview and Scrutiny Committees are reported in **Appendix 1b**.
- 3.2.6 Audit Committee reviewed the budget proposals from a risk perspective on 14 January 2013. The key risks identified are reported at **Appendix 1c**.
- 3.2.7 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.
- 3.2.8 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 and Audit Committee comments and other discussions and representations from key partners, and has made a number of changes that reflect the views expressed in the consultation.
- 3.2.8.1 Changes to Terms and Conditions – Following consultation and further work on this option, 2 aspects of the proposals relating to professional fees and charging for car parking have been deferred to 2014/15.
- 3.2.8.2 Parking Permits for Commuters: Feedback has resulted in this saving proposal being removed from the 2013/14 budget proposals.
- 3.2.8.3 There have been a number of other adjustments, mainly of a technical nature. All adjustments can be found at **Appendix 3** to this report.

3.2.9 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:

3.2.9.1 Review of Close Circuit Television (CCTV) Operations. 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. A review of CCTV was carried out with community groups across Northampton before the budget proposals were set to assess community impact and some proposals were withdrawn.

3.2.9.2 Review of Discretionary National Non Domestic Rates Scheme. There were several representations in this area, but the Charity sector worked with NBC in developing the scheme. The scheme is designed to encourage the not for profit sector to share back office, and therefore organisations who make arrangements to share back office will not be impacted by the reductions. The savings from the scheme were reduced as a result of feedback from the sector.

3.2.9.3 Ending Support for Groundworks – The consultation responses were quite mixed on this, and it was determined that in the current financial climate it was no longer affordable to provide this financial support.

Draft Budget Position – Cabinet 19 December 2012

3.2.10 The Cabinet met on 19 December 2012 and recommended proposals for consultation. The headlines were:

- a) No proposed council tax increase, for the Council's own purposes, for 2013/14, and no annual increases be adopted as planning parameters for the financial years 2013/14 to 2015/16;
- b) A General Fund budget for 2013/14 of £27.6 (including parishes).

3.2.11 New efficiency savings and medium term planning savings and income options totalling £1.3m had been proposed for consultation to reduce the gap. Investment in priority areas totalling £0.1m was also proposed for 2013/14.

Draft Budget Position – Cabinet 20 February 2013

3.2.12 Further work on the budget has been undertaken to refine the budget since 19 December 2012. This has resulted in a number of new options and adjustments including those of a technical nature.

3.2.13 Since the draft budget was proposed by Cabinet on 19 December 2012 the position has changed as follows:

Changes since 19 December 2012 Cabinet

| | 2013/14 Budget Changes £ |
|----------------------------------|---|
| Council Tax Freeze Grant | 1,579 |
| CTRS Grants | 131,644 |
| Parish Grants | (8,105) |
| New Homes Bonus | (2,042,408) |
| Earmarked Reserves (net changes) | 2,169,176 |
| Off-Street Parking Review | 40,000 |
| Formula Funding | (333,927) |
| Surplus on Collection Fund | (32,714) |
| Recharges to HRA | 74,755 |

3.2.14 A schedule of all changes since the 19 December 2012 Cabinet proposals can be found at **Appendix 3**.

Use of Balances

3.2.15 A prudent level of reserves, along with appropriate application of reserves, should be part of the overall budget. The Chief Finance 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 £3.1m for 2013/14.

3.2.16 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 2012/13 outturn.

3.2.17 The Chief Finance Officer recommends that a minimum prudent level of reserves be set at £3.1m for 2013/14 rising to £3.2m by 2015/16. 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.

3.2.18 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.

3.2.19 The 2013/14 budget assumes no use of general fund balances in 2013/14. 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 2013

| | | £m |
|-------------|---|------------|
| | General Fund Balance as at 01.04.2012 | 3.1 |
| | Total estimated General Fund balance at 31.03.2013 | 3.1 |
| <i>Plus</i> | Budgeted contribution to General Fund balances | 0.1 |
| | Total estimated General Fund balance at 31.03.2014 | 3.2 |
| | Total estimated General Fund balance at 31.03.2015 | 3.2 |

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

Final Formula Funding Settlement

3.2.21 The provisional 2013/14 finance settlement was announced on 19 December 2012, and was finalised on 4 February 2013. The Council's representation to the government with regard to the settlement is shown at **Appendix 2**.

Formula Funding Settlements 2012/13 to 2014/15

| | 2012/13 Actual £m | 2013/14 Actual £m | 2014/15 Draft £m* |
|------------------------------|----------------------------------|----------------------------------|----------------------------------|
| Retained Business Rates | 13.041 | 5.968 | 6.151 |
| Revenue Support Grant | 0.253 | 8.971 | 6.874 |
| Total Formula Funding | 13.294 | 14.939 | 13.025 |
| Specific Grants Adjustments* | 2.393 | 0 | 0 |
| | 15.687 | 14.939 | 13.025 |

**Council Tax subsidy is replaced in 2013/14 by Council Tax Reduction Scheme funding within the formula funding settlement. In addition Homelessness Prevention funding is also moving into formula funding from 2013/14. Therefore the 2012/13 comparative figure has been adjusted by the original budget for these grants to take this into account.*

Revised Proposals

3.2.22 **Appendix 5** sets out a summary of the revised budgets covering 2013/14 to 2015/16 to be recommended to the Council. The main features are:

- a) No Council Tax increase, for the Council's own purposes (excluding precepts), for 2013/14;
- b) A General Fund budget for 2013/14 of £28.16m (including parishes).
- c) A planning parameter of 0% indicative annual Council Tax increases, for the Council's own purposes (excluding precepts), for 2014/15 – 2015/16.

3.2.23 The Council's budget for its own purposes (excluding parishes) is £27.14m.

The Council's Budget for its Own Purposes

| | £m |
|--|---------------|
| Revenue Budget Requirement including Parishes | 28.164 |
| Less Parish Precepts | (1.022) |
| Amount to be Funded by Formula Funding and Council Tax Excluding Parishes | 27.142 |

3.2.24 CLG have set the capping criteria at a council tax increase of 2.0%. Northampton's budget proposes a 0% council tax increase, and therefore falls well within the capping targets.

Medium Term Implications

3.2.25 In setting a budget for 2013/14, the Cabinet and the Council must take into account the implications for the following two years financial strategy, namely 2014/15 – 2015/16. There are significant planned efficiency savings in 2013/14 and the following years, which will require action to be taken now if they are to be secured within the planned timescales.

3.2.26 **Appendix 4** sets out the budget projections for 2013/14 to 2015/16 and the key features of the projections including assumptions of the level of Formula Funding and Council Tax funding.

3.2.27 The medium term plan assumes that the Council will achieve year on year cashable efficiencies, 2013/14, and this has been built into the financial strategy from 2013/14 onwards. Plans will be developed to deliver the required savings as part of the 2013/14 medium term planning process.

3.2.28 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.

3.2.29 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 7.

Robustness of Estimates and Adequacy of Reserves

3.2.30 The Local Government Act 2003 places a duty on the Chief Finance Officer to comment on 'the robustness of the estimates' included in the budget and the adequacy of the reserves for which the budget provides.

3.2.31 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 14 January reviewed risk aspects of proposed budget options proposed by the Cabinet at its meeting on 19 December 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 2013/14 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 2013/14 budget process requires a meeting of the Council on 25 February 2013, 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. Not all of these precepting bodies have set their Council Taxes yet, with the result that these will be reported to the Cabinet if known by that date and at Council on 25 February 2013 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 appendices.
- 4.2.2 Appendix 8 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 2013-16 budget was also considered by Audit Committee at its meeting on 14 January 2013, which is a background paper to this report.

4.3 Legal

- 4.3.1 The Council must set a balanced budget for the next financial year by midnight on 11 March 2013 (Local Government Finance Act 1992, section 32 (10)). 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 4.1.2 and 4.4.
- 4.3.3 There are no further specific legal issues arising from this report

4.4 Equality

- 4.4.1 Under the general equality duty (as set out in the Equality Act 2010), public authorities are required to have due regard to the need to eliminate unlawful discrimination, harassment and victimisation as well as advance equality of opportunity and foster good relations between people who share a protected characteristic and those who do not.
- 4.4.2 The protected grounds covered by the equality duty are: age, disability, sex, gender reassignment, pregnancy and maternity, race, religion or belief, and sexual orientation. The equality duty also covers marriage and civil partnership, but only in respect of eliminating unlawful discrimination.
- 4.4.3 The law requires that this duty to have due regard be demonstrated in decision making processes. Assessing the potential impact on equality of proposed changes to policies, procedures and practices is one of the key ways in which public authorities can demonstrate that they have had due regard to the aims of the equality duty.

- 4.4.4 It is also important to note that public authorities subject to the equality duty are also likely to be subject to the obligations under the Human Rights Act. It is therefore recommended that public authorities should consider the potential impact their decisions could have on human rights.
- 4.4.5 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.
- 4.4.6 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.
- 4.4.7 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 2013.

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 Consultation responses – Overview and Scrutiny Committee
 - 1c Consultation responses – Audit Committee
 - 2 Representations on the Provisional Settlement
 - 3 Changes since 19 December 2012 Cabinet
 - 4 Proposed Budget Summary 2013/14 – 2015/16
 - 5 Schedule of Budget Options 2013/14 – 2015/16
 - 6a Earmarked Reserves proposals
 - 6b Schedule of Earmarked Reserves
 - 7 The Key Medium Term Financial Issues 2013/14 – 2015/16
 - 8 Robustness of Estimates – Statement of the Chief Finance Officer under the requirements of Section 25 of the Local Government Act 2003
 - 9 Draft Fees and Charges 2013/14

5. Background Papers

5.1 Cabinet Reports:

- 20 February 2013 Corporate Plan 2013-16
- 19 December 2012 Draft Budget 2013-16
- 14 November 2012 Medium Term Financial Strategy 2013-2016

5.2 Overview and Scrutiny Reports:

- 31 January 2013 Council Wide Draft Budget 2013/14 to 2015/16

5.3 Audit Committee Reports:

- 14 January 2013 Risk Review of 2013/14 Budget Options

5.4 Equalities Impact Assessments (NBC Internet website)

5.5 Public Consultation Feedback:

- Question Time – Public Meeting
- Consultation with Community forums

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