



**NORTHAMPTON
BOROUGH COUNCIL**

Item No.

8

Name of Committee	CABINET
Directorate:	Governance and Finance
Corporate Manager/Director:	Ian Thompson
Date:	29 January 2007

Report Title	Revenue Budget 2007/08 and later years.
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Key Decision	Yes
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1. Recommendations

- 1.1 Having regard to the responses to the consultation process, that the Cabinet recommends a General fund revenue budget for consideration by Council that complies with the statutory framework set out in the report
- 1.2 That the target level of general reserves to be held in support of the 2007/08 budget should be not less than £3m.

2. Summary

2.1 The report and appendices summarise the General Fund revenue budget position for 2007/08. Reference is made to the consultation process and outcomes. The statutory requirements for budget setting are summarised together with the relevant section of the Council's Constitution. Cabinet is invited to recommend a robust balanced budget for consideration by Council at the meeting scheduled for 13th February.

3. Report Background

3.1 The draft General Fund revenue budget for 2007/08 to 2009/10 was reported to Cabinet on 19th December 2006. Appendix 1 sets out the current position, unchanged since the previous report with the exception of the following:

- an additional budget pressure of a net £170k in relation to Planning and Development Control that results from the loss of income from major planning applications now handled by West Northants Development Corporation. This was reported to Cabinet on 8th January 2007.
- adjustment to the provision for implementing the Pay & Grading Review on a phased basis. A sum of £350k has been provided but on the basis that this will need to be offset by efficiency savings as agreed by Cabinet on 8th January 2007.

3.2 The net effect of the above changes is to revise the previously agreed efficiency target for 2007/08 to £1.465m. (of which, more below). After allowing for this, the net funding shortfall for 2007/08 is £3.15m and it is now necessary to identify which services are to remain as priorities and where budget reductions are to be made.

3.3 Following the Cabinet meeting of 8th January, an extensive consultation exercise has been undertaken involving staff, partners and the general public. This was based on the schedule of options for service and budget reductions amounting to £3.95m. in total and approved by Cabinet as the basis for consultation. The results have been summarised and this, together with all of the detailed responses, has been provided to all members of the Cabinet and leading members of all political groups. In advance of Council on 13th February, the same information will be provided to all Council Members. Cabinet is invited to have regard to the responses in determining a balanced budget for recommendation to Council (see para. 3.10 below).

3.4 During the consultation process, the suggestion was made of implementing a one year pay freeze with a potential saving of about £800k. Such an option clearly has major practical difficulties. In the absence of any detailed formal proposal from Trades Unions, this has not been proposed by officers as a potential viable option.

3.5 The Cabinet meeting of 19th December also received a report on the forecast outturn position for the current financial year 2006/07. That report indicated a year-end overspend of the order of £1.9m with the consequential effect that the Council's reserves would be reduced to about £1m. by the end of the financial year. The report also outlined a strategy for boosting the reserves by a further £1m. but recognised that there would still be a requirement to make some provision in the draft budget for a further additional contribution. That remains the case and the draft budget at Appendix 1 makes provision for an additional contingency reserve of £1m. This takes into account the extent of the risks facing the Council in 2007/08 across a range of budget areas and the need to retain adequate provision against these. A key recommendation therefore is that the target level of reserves to be held in support of the 2007/08 budget should be not less than £3m.

3.6 In addition to the above, an earlier report to Cabinet (25 September 2006) noted that there was a surplus of the order of £1.3m in the earmarked Insurance Reserve.

However, there were a number of significant unfunded liabilities including the potential clawback of overpaid benefit subsidy and it was therefore considered prudent to maintain this amount and not to return the sum to the general reserve fund. Work is continuing to resolve the level of subsidy clawback but officers are now optimistic that any agreed amount can be contained within the reserved sum and any surplus returned to the general reserves in support of the 2007/08 budget.

3.7 It can be noted in passing that there are other potential risks facing the Council that at this stage it is not possible to quantify. One key area is the risk of retrospective claims arising from the Pay & Grading Review. Another concern is that the level and range of recharges between the ring-fenced Housing Revenue Account and the General Fund has not been reviewed for some time and that therefore some realignment of budgets may become necessary, possibly to the detriment of the General Fund. This will be subject to further scrutiny during 2007/08.

3.8 Paragraph 3.2 above refers to the efficiency savings target of £1.465m. (of which £350k relates to the cost of implementing the first phase of the Pay & Grading Review). Officers have already identified a range of opportunities for reducing costs which would have no direct impact on direct service provision. Work is continuing on this with a view to being confident that the target amount is realistically achievable and deliverable. As the options being considered have no direct impact on services to the public, there is no over-riding need to introduce this into the public consultation exercise in detail. However, as there is the possibility of reductions in posts, it will be necessary to consult formally with the Trades Unions prior to Council on 13th February.

3.9 For completeness, Appendix 2 shows the previously approved budget position for 2006/07 to 2008/09 and is simply an updated version of the appendix to the budget report considered by Cabinet on 16 February 2006. It is included here in particular to serve as a reminder of the additional growth and savings items previously approved as part of the 2007/08 and 2008/09 budgets but which have been adjusted in the context of the current draft budget for 2007/08 and later years.

3.10 In terms of process, the Council's Constitution incorporates the 'Budget and Policy Framework Procedure Rules'. These state that at the end of the appropriate budget consultation period, the Cabinet will draw up firm proposals for consideration by Council having regard to the consultation responses. Provision is made for Council to amend the proposals and in such a case, there is a grace period of five days after which the Council decision becomes effective. The exception to this is where the Leader may enter a formal objection within three days of the Council amendment and in such circumstances, a further meeting of council is required in order to finally determine the budget.

3.11 The timing of the Council Budget Meeting for 13th February has regard to the above and in particular the need to formally determine the Council Tax no later than the end of February in order to facilitate the printing and distribution of bills. This in turn is time critical in that adequate notice has to be provided to instalment payers if the April 1st instalment collections by direct debit are to be valid. Any delay has significant cash flow implications for the Council.

3.12 In terms of officer responsibilities, there are two key legislative requirements. The Council's Financial Procedure Rules refer to the Local Government Finance Act 1988 which imposes a responsibility upon the 'Section 151 Officer' to ensure that budgeted expenditure does not exceed total resources available. In addition, the Local Government Act 2003 requires the officer to report on the 'robustness' of the budget and the adequacy of the proposed financial reserves and for the Council to have regard to that report accordingly.

3.13 In the light of the above, Cabinet is invited to recommend to Council as follows:

- (i) having regard to the consultation responses, a balanced General Fund revenue budget for 2007/08 that complies with the statutory framework outlined above
- (ii) that the target level of general reserves to be held in support of the 2007/08 revenue budget be not less than £3m.

4. Options and Evaluation of Options

4.1 The Council has conducted an extensive consultation exercise on a range of options for delivering a balanced budget.

5. Resource Implications (including Financial Implications)

5.1 As set out above and in the appendices.

6. Risk and Opportunity Issues

6.1 The level of general reserves retained in support of the annual budget should relate to the extent of the perceived risk inherent in the budget assumptions.

7. Consultees (Internal and External)

Internal	Directors and corporate managers
External	None

8. Compliance Issues

A: How Proposals Deliver Priority Outcomes

Recovery Plan
N/a
Corporate Plan
N/a

B: Other Implications

Other Strategies
N/a

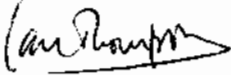
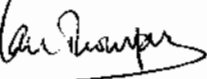
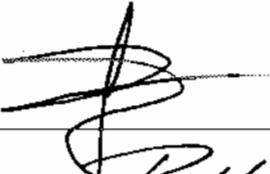
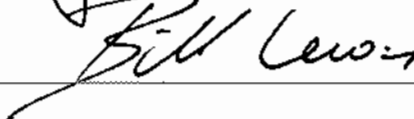
Finance Comments
N/a

Legal Comments

9. Background Papers

Title	Description	Source

Ian Thompson, Interim Finance Director, ext. 8744

Name	Signature	Date	Ext.
Author		27/07	8744
Corporate Manager	N/a		
Director		27/07	8744
Monitoring Officer or Deputy (Key decision only)		25/1/07	7334 —
Section 151 Officer or Deputy (Key decision only)		25/01/07	7167

Appendix 1:
General Fund Revenue Budget - Future Years Budgets 2007 - 2010

	2007/08 £000's	2008/09 £000's	2008/10 £000's	Note
Medium Term Financial Plan				
Medium Term Financial Plan - Appendix 2	1,115	1,350	1,600	A
Plus Reinstated Savings Target (to avoid double counting)	233	233	195	B
	1,348	1,583	1,795	
Community Safety, Leisure & Community Operations				
Balloon Festival	47	47	47	1
Community Safety	-187	-199	-199	2
Town Centre Management	45	45	45	3
Events, Arts and Museums	-53	-53	-53	4
Leisure Centres	-70	-70	-70	5
Car Parking	446	446	446	6
Customer Services				
One Stop Shop	182	190	199	7
Pnnt Services	-50	-50	-50	8
Finance & Asset Management				
Cliftonville House, Industrial Units and Investment Property	114	114	114	9
Audit Fee/Internal Audit	-84	-84	-84	10
Markets Income Adjustment	204	162	160	11
Pensions Added Years Costs	140	140	140	12
Governance & Recovery				
Members Expenses and Meeting Services	129	129	130	13
Elections	217	0	0	14
Landcharges Income Shortfall	109	109	109	15
Savings for Licence Income and Communications Staff	-104	-105	-105	16
Planning & Environmental Health				
Private Sector Improvement and Repairs & Health & Safety At Work	-66	-36	-32	17
Development Control	170	170	170	18
Regeneration & Growth				
Regeneration and Growth	-70	-70	-70	19
Concessionary Fares	200	200	200	20
Performance and Improvement				
IT	-57	-57	-57	21
Streetscene & Property Maintenance				
Highways Revenue Account	357	356	351	22
Domestic Refuse Collection and Recycling	143	143	143	23
Trade Refuse Collection	271	355	318	24
Human Resources				
Pay and Grading Review	-400	-100	100	25
Training	-200	-200	-200	26
Housing				
Homelessness	-160	-160	-160	27
Additional Capacity Revenues and Benefits	250	250	250	28
Total Continuing Impact on Future Years Budgets	1,523	1,672	1,842	
Additional Future Years Budget Pressures				
Additional Debt Charges	350	350	350	29
Excess Inflation - Principally Energy	294	179	221	30
Legal, Statutory and Health & Safety - Trees Maintenance	100	100	100	
Total Additional Future Years Budget Pressures	744	629	671	
Additional Contingency Provision	1,000	1,000	1,000	31
Less Value For Money / Efficiency Target as per Medium Term Financial Plan	-1,485	-2,350	-3,350	32
Total	3,150	2,534	1,958	

Notes to the Future Years Budgets 2007 - 2010

A	See Appendix 2. Includes assumption that council tax rise is 3% year on year
B	Efficiency savings included as target at A above - need to avoid double counting.
1	Balloon Festival Realigns the budget with past experience and future expectations.
2	Community Safety Removal of a post within Community Safety -£50k and savings to be made in relation to CCTV -£130k
3	Town Centre Management Non achievement of the Town Centre Partnership income
4	Events, Arts and Museums Savings within Events and Arts with regards to reductions on Supplies and Services budgets. Additional savings of £15k have been included for the Museums.
5	Leisure Centres Additional Leisure Centre income reflecting 2006/07 experience.
6	Car Parking Realigns the budget with actual experience/expectations.
7	One Stop Shop Additional Customer Services Officers £240k. This is offset partially by cross cutting savings across the Council on Customer Services of -£48k as a result of the operation of the Customer Contact Centre. Further efficiency savings to be identified for 2007/08
8	Print Services Efficiency savings targeted for the Print Unit including potential to explore partnership option.
9	Cliftonville House, Industrial Units and Investment Property Rental income will be reduced due to the rent free period offered to the Demgate £135k. Income will also be reduced at Cliftonville House due to the vacation of District Audit from the offices. These additional costs will be partially offset by increased rental income from industrial units and other land and buildings
10	Audit Fee/Internal Audit Ongoing savings in relation to the Audit fee paid by the Council and Internal Audit services procured.
11	Markets Income Adjustment Realignment of the historic income budget for the Open Market (£147k) together with reduction in income from the Indoor Market £57k due to its vacation.
12	Pensions Added Years Costs Realignment of the budget for pensions added years costs arising in part from the Root and Branch exercise.
13	Members Expenses and Meeting Services Increase in members allowances not reflected in the budget (£99k) and reinstatement of unachievable income budget (£30k)
14	Elections Cost of the Northampton Borough Council election.
15	Landcharges Income Shortfall Reduction in landcharge income due to external competition in the market and limited ability to respond competitively.
16	Savings for Licence Income and Communications Staff Increased licensing income -£72k and deletion of a post within Communications Team
17	Private Sector Improvement and Repairs & Health & Safety At Work Reflects HIMO licensing income of £46k and savings that are achievable as a result of staff turnover at lower than budgeted spinal points.
18	Development Control Net additional cost resulting from loss of planning fee income to WNDC.
19	Regeneration and Growth Removal of additional budget allocated in the Medium Term Financial Plan of £100k. This saving has been offset partially by an unachievable income budget of £30k
20	Concessionary Fares Additional cost of Concessionary fares.
21	IT Removal of a post -£32k and ongoing savings on the running costs of the internal telephone system -£25k
22	Highways Revenue Account Non achievement of the budgeted income for the service due to the loss of trading activity with Atkins/County Council.
23	Domestic Refuse Collection and Recycling Increased costs of collection for green waste £200k within the Recycling service and reduced Domestic Refuse income of £50k due to unachievable bulky waste collection income budget. These additional costs have been partially offset by a savings proposal in relation to the Materials Recycling Facility of -£100k.
24	Trade Refuse Collection The base budget includes an income surplus which will not be achieved of £420k. In 2007/08 this is reduced by the potential receipt from the sale of the operation of £150k. This is a one off receipt.
25	Pay and Grading Review Savings arising from the proposed re-phasing of implementation of the Pay and Grading review.
26	Training Deletion of previously committed growth for the corporate training budget.
27	Homelessness Deletion of additional budget allocated in the Medium Term Financial Plan of £100k. Additional savings of £60k are proposed on the service due to the cessation of the use of Bed and Breakfast accommodation.
28	Additional Capacity Revenues and Benefits Cost of providing additional capacity within the service to maintain improved service levels.
29	Additional Debt Charges Cost of servicing additional borrowing required on a short term basis to fund the committed 2006/07 capital programme.
30	Excess Inflation - Principally Energy Additional inflation - principally energy costs impacting on leisure centres and car parks.
31	Contingency Provision See reference in main body of report.
32	Efficiency Savings Target Initial target of £1.115m as per medium term financial plan plus £0.35m to offset the estimated cost of implementing the Pay & Grading Review on a phased basis.

Appendix 2: General Fund Revenue Summary	Cash Limit 06/07 £'000	Forecast 07/08 £'000	Forecast 08/09 £'000
Funding			
Collection Fund Adjustments	147	0	0
Formula Grant	-17,889	-18,405	-18,902
Council Tax @ 4.9%, 3%, 3%	-11,652	-12,118	-12,627
Total Income	-29,394	-30,523	-31,529
Expenditure			
Cash Limits			
Customer Services	1,896	1,970	2,055
Performance & Improvement	2,883	2,994	3,086
Human Resources	1,141	1,156	1,190
Citizen Engagement	4,338	4,449	4,607
Planning, Environmental Health & Leisure	4,352	4,671	4,875
Finance & Asset Management	6,458	6,796	7,040
Regeneration & Growth	1,213	1,319	1,364
Street Scene & Property Maintenance	5,593	6,140	6,583
Housing Services	1,455	1,586	1,684
Legal & Democratic Services	2,441	2,571	2,664
Net Expenditure (Cash Limit)	31,770	33,651	35,150
Recharges to Other funds	-4,356	-4,842	-5,100
Net General Fund Cash Limit	27,414	28,809	30,050
Debt Charges	192	212	212
	27,606	29,021	30,262
Funding Gap Prior to Additional Items	-1,788	-1,502	-1,267
Current Budget Deficiencies			
Refuse Services	430	430	430
Land Charges	200	200	200
Property Income Reduction	300	300	300
Telephone System - Unachievable Savings	50	50	50
	-808	-522	-287
Inescapable Additions			
Recycling	-115	-115	-115
Recovery / Improvement	100	100	100
Single Status	60	800	800
Concessionary Fares Statutory Scheme	550	550	550
Occupational Health & Stress Management	40	40	40
Revenue Implications of Capital Projects	165	165	165
Community Centres	15	24	24
Research Assistants	63	118	118
Benefits Trainees	115	120	120
	185	1,280	1,515
Recovery Programme Required			
Training Budget	200	400	400
Regeneration & Growth	100	200	200
Building Maintenance	150	200	200
Homelessness Prevention - Invest to Save	100	200	200
	735	2,280	2,515
Optional Items			
Office Accommodation	-20	-50	-50
Street Cleaning	75	75	75
	790	2,305	2,540
Further Proposals			
Car Parks Income	-500	-500	-500
Leisure Income	-200	-200	-200
Parks Savings	-100	-250	-250
Bulky Waste	-50	-50	-50
Youth Provision	60	60	60
Efficiency Savings		-250	-250
Funding Gap	0	1,115	1,350