



## CABINET REPORT

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

<b>Cabinet Meeting Date:</b>	17 December 2007
<b>Key Decision:</b>	YES
<b>Listed on Forward Plan:</b>	NO
<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 approve the Cabinet's draft budget proposals as attached summarised in Annex A detailed in Annex B and supporting annexes and recommended Council Tax levels for public consultation.
- 1.2 To provide details of the updated Formula Grant announcement for 2008/09 and progress in compiling the 2008/09 – 2011/12 General Fund revenue budget, setting out the issues considered as part of the revenue budget setting process.

### 2. Recommendations

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- 2.1 That the details of the Provisional Local Government Finance Settlement be noted.
- 2.2 That the Cabinet's budget proposals for 2008/09 and indicative budgets for 2009/10, and 2010/11 as summarised in Annex A and detailed in Annex B and supporting annexes, and proposed council tax increase of 4.95% for 2008/09 and the indicative 4.95% for 2009/10 and 2010/11 be approved for public consultation.

- 2.3 That the potential receipt of any Local Authority Business Growth Incentive monies received be noted.
- 2.4 That the budget consultation leaflet be approved.
- 2.5 That the proposed contribution to and level of reserves as set out in the report be approved.

### **3. Issues and Choices**

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#### **3.1 Report Background**

##### **Local Preparation**

- 3.1.1 The Board approved the timetable and process for the Medium Term Plan and budgets in the summer. The report set out the financial parameters for budget projections 2008/09 – 2010/11.
- 3.1.2 The budget process was closely linked to the corporate plan and the objectives set out in it.

##### **Timetable**

- 3.1.3 The key milestones were as follows:

July – Budget and medium term planning process launch.

August – Officers work up continuation budget including inflation and unavoidable growth.

September – Phase 1 continuation budget challenged by Director of Finance and completed. Officers work up Medium Term Planning (MTP) options appraisals where required.

October/November – MTP options reviewed and challenged. First public consultation on spending priorities takes place. Ongoing monitoring of Government announcements is undertaken.

December – Provisional Formula Grant announcement. Cabinet consider and agree proposals for consultation budget.

December/January – main public consultation on budget and proposed level of council tax.

End January/February – Final Formula Grant settlement announcement is received from Government.

February – Cabinet recommends budget to Council. Council agrees budget and council tax.

## **3.2 Issues**

### **National Events**

- 3.2.1 This report sets out the issues facing decision makers, with the aim of allowing as much information as possible to be in the public domain, as early as possible.
- 3.2.2 There are several areas of Government policy that have influenced the Council in considering the costs of growth and limits placed on Government grant.
- 3.2.3 The Government has not adequately measured the costs of growth, in particular the revenue costs. In the past their figures have always been two years out of date. In a move to recognise this problem changes were made to the formula grant system from 2006/07 to base population figures on forward projections to recognise, in part, the cost pressures faced by growth authorities. However it is recognised that in the growth areas these forward projections are not necessarily keeping pace with the actual increases in population.
- 3.2.4 The population figures used in the draft settlement are a particular problem as the forecasts for 2008/09 onwards are approximately 3,000 lower than the revised mid 2006 estimate published in October 2007. This is because the population figure used for the formula was taken in September 2007. The implication is that this authority is providing services for over 3,000 people for which it is not being properly funded.
- 3.2.5 What recognition of growth there is in the formula is also heavily negated by the operation of the floor damping mechanism which scaled back the increase above the floor by 72.6% for next year. The impact of damping in 2008/09 is a reduction in formula grant of £121k, which is equivalent to 1% on Council tax. Note, however that this authority has benefited from the floor mechanism in the past, when it has had its grant raised up to the floor to give it a minimum increase, and will again in the third year of the settlement.
- 3.2.6 Northampton has been particularly hit by the poor settlement nationally for district authorities who received a national average of 1.7% increase for 2008/09 (Northampton received just 1.2% increase).
- 3.2.7 The Spending Review 2007 (SR2007) announcement was disappointing for local authorities generally. Being a planned real terms increase each year of just 1% nationally.
- 3.2.8 The SR2007 also announced an extension to the three-year Local Authority Business Growth Incentive (LABGI) scheme with £50m available in 2009/10 and £100m in 2010/11. This is disappointing in that there was no indication of any LABGI announcement during 2008/09, and the total allocation over the three-year period is only £150m, compared to £1bn over the previous spending review period.
- 3.2.9 The Government has recently closed a consultation on the principles for the future distribution and timing of LABGI announcements to which this authority has responded.

- 3.2.10 As part of the pre budget report and SR2007 announcement the Chancellor emphasised that he expected the funding made available to local authorities together with the 3% cashable savings targets would ensure that council would keep council tax increases well below 5%.
- 3.2.11 Members will need to consider whether the Council Tax they set could be deemed to be excessive and therefore be subject to capping.
- 3.2.12 The Review was always expected to generate a real terms minimal funding increase for local government, with a far greater emphasis on cashable efficiency savings. In the event a real terms increase of 1% was announced nationally, but it should be noted that this is the average across all authorities and districts in particular will receive a real terms decrease in funding if there are no changes for the final settlement.

### **Value for money and Annual Efficiency Targets**

- 3.2.13 A feature of the budget process has been a focus on obtaining further efficiency for the latest year of Annual Efficiency targets. The Council is required to produce an Annual Efficiency Statement [AES] in advance of each financial year, a mid-year review in November and a backward-looking statement after the end of the financial year.
- 3.2.14 In the December 2007 pre-budget report the Chancellor confirmed that as part of CSR07, future efficiency targets would be set for local authorities based on 3% year on year cashable savings. This was confirmed in both the March 2007 Budget announcement and the SR2007 announcement in October.
- 3.2.15 As part of the value for money work undertaken for the CPA, a number of options were proposed with a view to delivering efficiency savings to help the authority
- a) to deliver its services more efficiently and effectively
  - b) to help deliver its efficiency savings target – (3% cashable efficiency savings each year).

### **Use of Reserves**

- 3.2.16 The budget agreed in February 2007, assumed £890k use of general reserves as part of the 2007/08 budget. A prudent level of reserves, along with appropriate application of reserves, should be part of the overall budget. An annual risk assessment is undertaken to ascertain the minimum level of reserves the authority should hold. This suggests that £3.0m should be the minimum for 2008/09. Table 1 below outlines the current level of reserves for 2007/08 and proposed use which reflects an increase of £562k over and above the £890k previously assumed, this is offset by the forecast underspend as at month 8 monitoring:

**Table 1: Forecast Level of Reserves as at 31 November 2007**

		<b>£,000</b>
	<b>General Fund Balance as at 01.04.2007</b>	<b>2,893</b>
<i>Plus</i>	Budgeted contribution to reserves*	1,250
<i>Less:</i>	Budgeted Use of Reserves	(890)
<i>Less:</i>	Funding for concessionary fares	(312)
<i>Less:</i>	Funding for car parking	(250)
<i>Less:</i>	2007/08 forecast surplus attributable to General Fund as outlined in Table 1	342
	<b>Total estimated General Fund balance at 31.03.2008</b>	<b>3,033</b>

### **Planning Levels of Resources**

3.2.17 There are two main funding streams for local authorities. The first is from Government – Formula Grant, consisting of Revenue Support Grant (RSG) and the redistributed Business Rate (NNDR), and the second is local taxation.

#### **Council Tax**

3.2.18 Options for Council Tax levels were considered by Cabinet in December 2007. This included the option of either a nil increase or a reduction. These options were rejected in the context of the needs of the borough and a planning figure of 4.95% was agreed.

3.2.19 Latest projections show that every 1% increase in Council Tax generates approximately £120k.

3.2.20 A collection fund deficit of £30,000 is currently estimated for 2007/08. Any surplus or deficit is distributed between the precepting authorities.

#### **2008/09 Provisional Settlement**

3.2.21 On 6 December 2007 the Government announced the proposed Local Government Settlement for 2008/09 to 2010/11. This is shown in Table 2 below.

**Table 2: Proposed 2008/09 Settlement**

	<b>2008/09 £m</b>	<b>2009/10* £m</b>	<b>2010/11* £m</b>
Redistributed Business Rates	16.453	16.540	16.622
Revenue Support Grant	2.290	2.302	2.314
<b>Total Formula Grant</b>	<b>18.743</b>	<b>18.842</b>	<b>18.936</b>

*\*The actual split for years 2 and 3 has not yet been released, it has therefore been split pro rata based on the 2008/09 split.*

3.2.22 The consultation period on the proposed Local Government Settlement for 2008/09 will end on 8th January 2008, with final figures being confirmed in late January/early February 2008.

### **LABGI**

3.2.23 It is unclear at this stage whether the authority is likely to receive any LABGI funding in the announcement due in February 2008. 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.

### **Total Resources**

3.2.24 The total resources available to the Council are estimated as shown below in Table 3:

**Table 3: Total Resources available to Northampton Borough Council**

	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Formula Grant	18,743	18,842	18,936
Unringfenced Concessionary Fares Grant	678	693	713
Council Tax	12,913	13,720	14,543
<b>Total</b>	<b>32,334</b>	<b>33,255</b>	<b>34,192</b>

3.2.25 At this stage it must be stressed that the Formula Grant projections from 2008/09 onwards are from the provisional settlement, as the final settlement announcement due in January 2008 could differ from the provisional announcement.

3.2.26 The Cabinet will consider recommending for public consultation the draft budget for 2008/09 and its indicative budgets for 2009/10 and 2010/11 as set out in Annex A, which assume a 4.95% Council Tax increase in each of these years. In arriving at this decision the Cabinet has taken account of reviews of:

- corporate priorities;
- continuation budgets,
- efficiencies that have been achieved through the Gershon process,
- growth items identified through the Medium Term Planning (MTP) process,
- the current and planned levels of reserves, and
- the outcome of the formula grant settlement

3.2.27 The Cabinet has sought to protect the Council's corporate priorities from the brunt of service cuts and the growth items are targeted on the Council's priority areas.

3.2.28 The aim of the process was to arrive at a sound three-year financial plan that sought to improve services in the priority areas, consistent with maintaining a low Council Tax.

3.2.29 Annexes A to D set out the proposed changes.

### **Expenditure Proposals**

3.2.30 The 2008/09 - 2010/11 spending illustrations, including all the reductions and discretionary income, are set out in Table 4 below.

**Table 4: Summary of Financial Annexes**

	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Budget Requirement before Use of Reserves	32.714	33.255	34.192
Resources available	(32.334)	(33.255)	(34.192)
Use of Reserves	(0.380)	0	0
<b>Council Tax implied increase</b>	<b>4.95%</b>	<b>4.95%</b>	<b>4.95%</b>

3.2.31 The changes in budgets are set out in detail in Annexes A to D – the key to the Annexes is set out at 4.7.

3.2.32 At this stage the figures included for Debt Financing are a best estimate pending development of the capital programme and the impact of financing it.

3.2.33 Before setting the formal budget members will have to satisfy the legal requirement that they have identified ways to meet the identified shortfall.

### **Council Tax Recommendations**

3.2.34 The District Council's 2007/08 Band D Council Tax is £188.44. In 2008-09, the Band D at the resource illustration is £197.77, representing a 4.95% increase in Council Tax.

3.2.35 The Medium Term Plan requires the Council to look ahead. Whilst the budgets for years 2, and 3 have been more comprehensively prepared than previously, there may be opportunities to reduce expenditure arising in the future, or changes to the Government funding arrangements. At the time of writing the three-year prognosis is that, on the basis of current policies and with the caveats outlined above, the level of expenditure and Council Tax in years 2, and 3 will be as follows if no further work ensues:

## **Corporate Plan and Consultation**

3.2.36 The Council agreed the Corporate Plan for 2007/ 2011 at its meeting on the 28th June 2007. The plan is renewed on an annual basis. The plan identifies the council's priorities for 2007/ 2011 as:

- We will ensure that our communities are safer, greener and cleaner.
- We will improve housing and health to enhance the wellbeing of our communities.
- We will deliver quality services to our customers and communities.
- We will promote economic development and growth in Northampton.
- We will strengthen our commitment to partnership working and engaging with our communities to deliver better outcomes.

3.2.37 In order to develop the Council's Corporate Plan priorities for 2008/11 and outcomes to be achieved for each of the priorities, the Council has sought the views of local residents and stakeholders.

3.2.38 Analysis of the feedback from the consultation sessions indicates that people's concerns have not changed since the last Corporate Plan was developed. The consultation did not identify any major gaps. However a number of priorities for local people were related to activities that the council does not directly provide but contributes to through partnership working and priorities could be amended to more explicitly incorporate some of those areas.

3.2.39 The results of the focus group research have established that local people's needs and wants for the town have remained largely the same as last year. The above priorities represent what the council set out to achieve last year as well as our priorities for the year ahead.

3.2.40 The draft corporate plan, revised following initial consultation, will be subject to further consultation to inform the development of specific outcomes to be developed through detailed service planning to ensure that the services we deliver against priorities meet the needs of local communities.

3.2.41 The draft corporate plan priorities for consultation will be considered by the Cabinet on 17 December 2007 alongside the budget proposals. Consultation with stakeholders on the draft budget and Corporate Plan will continue into January 2008.

3.2.42 The Cabinet is keen to listen to the debate on the budget proposals for Northampton Borough Council. This debate takes place at a time when the issue of good public services and their funding is to the fore. Following receipt of the consultation analysis, the Cabinet will recommend a budget at its meeting in mid February 2008, for consideration at the Council meeting on 28 February 2008.



### **3.3 Choices (Options)**

- 3.3.1 The Cabinet can agree that the budget proposals for 2008/09 and indicative budgets for 2009/10, and 2010/11 as summarised in the annexes to this report are approved for public consultation.
- 3.3.2 The Cabinet can agree that the proposed council tax increase of 4.95% for 2008/09 and the indicative 4.95% for 2009/10 and 2010/11 are approved for public consultation.
- 3.3.3 The Cabinet can approve the proposed use of reserves as set out in the report be approved.
- 3.3.4 The Cabinet can choose to make changes to the budget proposals and the proposed council tax levels subject to the advice of the Chief Financial Officer.

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

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### **4.1 Policy**

- 4.1.1 None

### **4.2 Resources and Risk**

- 4.2.1 In addition to the Borough Council's own Council Tax, there are separate Council Taxes for Northamptonshire County Council, the Parish Areas, the Fire Authority and the Police Authority.
- 4.2.2 The provisional local government finance settlement announced on 6 December 2007 is subject to change and will be updated when the final settlement is announced, at the end of January/early February 2008.
- 4.2.3 Information will be included in the report to the Council meeting on 28 February 2008 on the level of spend for the county, the Parishes, the Fire Authority, the Police Authority, and the final Formula Grant settlement.

### **4.3 Legal**

- 4.3.1 There are no 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.

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

- 4.5.1 Internally Corporate Managers and Budget Managers have been consulted, and Management Board has carried out a detailed challenge of the budget.
- 4.5.2 This paper is to agree to put out a draft budget and council tax to public consultation, which will be undertaken with the general public, partners of the Council and businesses. This is in line with best practice and the statutory requirements of the Local Government Finance Act 1992

### **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.

#### **4.7 Other Implications**

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

- A. Proposed Budget 2008/09 and Budget Projections 2009/10 - 2010/11
- B1. Summary and Detailed Service Budgets – Governance and Improvement
- B2. Summary and Detailed Service Budgets – Customers and Service Delivery
- B3. Summary and Detailed Service Budgets – People, Planning, and Improvement
- C. Adjustments in Service Levels
- D. Investment in Priority Services
- E. Formula Grant
- F. Budget Consultation Leaflet

#### **5. Background Papers**

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5.1 Cabinet Reports: 3 December 2007 Budget Monitoring 2007/08 – Position as at the end of October 2007

5.2 External documents:

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

**Rebecca Smith, Assistant Head of Finance, ext. 8046**  
**Isabell Procter, Corporate Director, ext. 8757**