



## CABINET REPORT

<b>Report Title</b>	<b>COUNCIL WIDE GENERAL FUND REVENUE BUDGET 2010/11 – 2012/13</b>
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**AGENDA STATUS: PUBLIC**

<b>Cabinet Meeting Date:</b>	24 February 2010
<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>	Finance and Support
<b>Accountable Cabinet Member:</b>	David Perkins
<b>Ward(s)</b>	N/A

### 1. Purpose

- 1.1 To report the outcome of the consultation process on the 2010/11 General Fund budget and the final formula grant settlement for 2010/11.
- 1.2 To agree the Cabinet's proposals for recommendation to Council on 25 February 2010 for the 2010/11 to 2012/13 General Fund budgets, Council Tax level for 2010/11 and indicative levels for 2011/12 – 2012/13.

### 2. Recommendations

- 2.1 That the feedback from consultation with the public, organisations and the Overview and Scrutiny Committees, be considered and welcomed (detailed at Annex 1 and in the Corporate Plan 2010-2013 report elsewhere on this agenda).
- 2.2 That the Council's representations on the provisional formula grant settlement be noted (Annex 2).
- 2.3 That the projected 2009/10 outturn position of £283k under spend (as at the end of December 2009) be noted.

- 2.4 That the issues identified through Equalities Impact Screening and Assessments be noted (Annex 6).
- 2.5 That the changes to the proposed budget (detailed at Annex 3), in light of the consultation responses, equalities issues and the final formula grant settlement, be agreed.
- 2.6 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 8).
- 2.7 That the draft Fees and Charges set out in Annex 10 be noted.
- 2.8 That Cabinet agree that the additional £124k LABGI awarded in 2009/10, together with any remaining unallocated LABGI funding in the Corporate Initiatives Reserve at the end of 2009/10 and any new allocation for 2010/11 be set aside in an earmarked reserve for Regeneration and Development for one off purposes.
- 2.9 That Council be recommended to delegate authority to the Chief Executive and Director of Finance and Support to implement all budget options and restructurings.
- 2.10 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 2010/11 of £32.96m (excluding parishes), be recommended to the Council (detailed in Annex 4) 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 £2.195m at the end of 2010/11 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 2.47% for 2010/11 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 2010/11 that takes into account the Council's corporate priorities and objectives to prioritise the resources available for front line services.
- 3.1.2 It does this by
- a) Proposing a council tax increase of 2.47%.
  - 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 2010/11 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 16 December 2009**

- 3.1.4 The Cabinet met on 16 December 2009 and recommended proposals for consultation. The headlines were:
- a) A proposed council tax increase, for the Council's own purposes, of 2.47% for 2010/11, and that indicative annual increases of 2.47% be adopted as planning parameters for the financial years 2011/12 to 2012/13;
  - b) A General Fund budget for 2010/11 of £34.76m (including parishes).
- 3.1.5 Efficiency savings of £4.4m had been built into the continuation budget and budget options of £0.826m had been proposed for consultation to reduce the gap. A small amount of investment totalling £0.016m was also proposed.

#### **Draft Budget Position – Cabinet 24 February 2010**

- 3.1.6 Since the draft budget was proposed to Cabinet on 16 December 2009 the position has changed as follows (see annex 3 for full details):

**Table 1 – Changes since 16 December 2009 Cabinet**

	£m
Efficiency Savings	0.280
Medium Term Planning Options	(0.044)
Investment Options	0.000
Other Changes	(0.236)
	<b>0.000</b>

- 3.1.7 Further options and adjustments, totalling +/-£2,000, are included at annex 3 for consideration by Cabinet.

- 3.1.8 The table below illustrates the medium term planning options now being proposed for 2010/11.

**Table 2 – Medium Term Planning Options**

	<b>£m</b>
Efficiency Options	(4.119)
Medium Term Planning Options	(0.228)
Income Adjustments	(0.642)
Key Growth Items	0.016
	<b>(4.973)</b>

## **3.2 Issues**

### **Consultation Feedback**

- 3.2.1 Extensive consultation has been undertaken with the public, business community, and other stakeholders during January 2010.
- 3.2.2 The consultation included the proposed Corporate Plan and Capital Programme 2010-13 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) Public Meetings
  - c) Neighbourhood Partnership and Neighbourhood Management meetings
  - d) Circulation of a budget proposal brochure with questionnaire, which was also available on line with links to the detailed supporting documents.
  - e) 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. It was also available on line via the council's web site.
- 3.2.5 Public meetings were widely advertised in various media including press, radio, posters, etc.
- 3.2.6 Full details of the public consultation and results can be found in the Corporate Plan 2010-13 report elsewhere on this agenda. There was a significant increase in the number of responses compared to the previous year, with 436 responses being received.
- 3.2.7 The public agreed that grants to voluntary organisations should be maintained at their current level, no increases should be made to the hours of the Concessionary Bus Fare Scheme and that car-parking prices should not be increased for the daily shopper. (Note that the Council can only make decisions on parking prices relating to its own car parks).
- 3.2.8 The public were evenly split on the question of who provides services to them.

- 3.2.9 There was strong support for pursuing the green agenda in the budget feedback. However, in the corporate plan priorities, support for the green agenda was not strong in comparison with other priorities.
- 3.2.10 The consultation responses clearly show that the respondents who use NBC's chargeable services think that the services provided by the council generally give good value for money and also that they recognise that it is necessary to put prices up from time to time.
- 3.2.11 In addition, Overview and Scrutiny reviewed the budget proposals at their meetings in January and February 2010. The recommendations of the Overview and Scrutiny Committees are reported in appendix 1.
- 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.
- 3.2.13 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.
- 3.2.14 The following changes to the 2010/11 budget (among others) are therefore proposed in response to the comments received:
- a) The level of savings target on community centres (EFFY23) has been reduced from £170k to £90k.
  - b) The savings target for realignment of CCTV (MTPS22 & 4) has been reduced from £43k to £22k.

### **Adjustments**

- 3.2.15 Further work on the budget has been undertaken to refine the budget since 16 December 2009. This has resulted in a number of new options and adjustments including those of a technical nature. A schedule of all changes since the 16 December Cabinet proposals can be found at Annex 3.

### **Use of Balances**

- 3.2.16 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 2010/11.
- 3.2.17 This is a significant change since the last review, which is a reflection of key areas especially:
- Tighter requirements to plan to mitigate counterparty risk in investment, in line with new CIPFA and Government Guidance.
  - General increased risk levels due to the unstable political and financial climate nationally.

- 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 2009/10 outturn.
- 3.2.19 The Chief Finance Officer recommends that a minimum prudent level of reserves be set at £2.195m for 2010/11 (target for 31 March 2011) and increased over time to £3m. 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.
- 3.2.20 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.
- 3.2.21 In the current financial climate it is not possible to move directly from £2m to £3m. It is therefore recommended that the authority moves to this level of reserves over the next three to five years, beginning by contributing £0.1m to reserves in 2010/11.
- 3.2.22 The revenue budget monitoring to the end of December 2009 shows an overall under spend of £0.283m. The 2010/11 budget assumes no use of general reserves in 2010/11. 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 01.04.2009</b>	<b>1,995</b>
<i>Plus:</i>	Budgeted contribution to reserves	100
<i>Less:</i>	Budgeted Use of Reserves	0
	<b>Total estimated General Fund balance at 31.03.2010</b>	<b>2,095</b>
<i>Plus:</i>	Planned Contribution to Reserves	100
	<b>Total estimated General Fund balance at 31.03.2011</b>	<b>2,195</b>
<i>Plus:</i>	Planned Contribution to Reserves	100
	<b>Total estimated General Fund balance at 31.03.2012</b>	<b>2,295</b>
<i>Plus:</i>	Planned Contribution to Reserves	100
	<b>Total estimated General Fund balance at 31.03.2013</b>	<b>2,395</b>

- 3.2.23 The authority plans to bring the level of reserves up to £2.395m by the end of 2012/13 by contributing £100k in each year from 2010/11 to 2012/13.
- 3.2.24 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**

- 3.2.25 The provisional 2010/11 finance settlement announced in December 2007, and unchanged as at December 2009, was confirmed on 20 January 2010 without any further changes being made. The Councils representation to the government with regard to the settlement is shown at Annex 2.

**Table 4: Formula Grant Settlements 2008/09 to 2010/11**

	<b>2008/09 £m</b>	<b>2009/10 £m</b>	<b>2010/11 £m</b>
Redistributed Business Rates	16.453	15.309	16.535
Revenue Support Grant	2.290	3.533	2.401
<b>Total Formula Grant</b>	<b>18,743</b>	<b>18,842</b>	<b>18,936</b>

### **Council Tax Level and Capping**

- 3.2.26 The Government have again emphasised their intention that council tax increases are kept at a minimum, and reiterated their willingness to use capping powers if necessary.

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

- 3.2.27 The Council was awarded LABGI totalling £124,425 in 2009/10. It is proposed that this is earmarked for Regeneration and Development for one off purposes.
- 3.2.28 If an allocation were received for 2010/11, 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.

### **Revised Proposals**

- 3.2.29 Annex 5 sets out a summary of the revised budgets covering 2010/11 to 2012/13 to be recommended to the Council. The main features are:
- a) A Council Tax increase, for the Council's own purposes, of 2.47% for 2010/11 excluding precepts;
  - b) A General Fund budget for 2010/11 of £34.76m (including parishes).
  - c) Indicative annual Council Tax increases, for the Council's own purposes, of a planning parameter of 2.47% for 2010/11 – 2012/13 excluding precepts.
- 3.2.30 The Council's budget for its own purposes is £32.96m as follows:

	<b>£m</b>
Revenue Budget Requirement including Parishes	34.760
Less Parish Precepts	(0.908)
Collection Fund Deficit	0.171
Other Government Grant	(1.062)
<b>Amount to be Funded by Formula Grant and Council Tax Excluding Parishes</b>	<b>32.961</b>

### **Medium Term Implications**

- 3.2.31 In setting a budget for 2010/11, the Cabinet and the Council must take into account the implications for the following two years financial strategy, namely 2011/12 – 2012/13. There are significant planned efficiency savings in 2010/11 and the following years, which will require action to be taken now if they are to be secured within the planned timescales.

- 3.2.32 Annex 4 sets out the budget projections for 2010/11 to 2012/13 and the key features of the projections including assumptions of the level of Formula Grant and Council Tax funding.
- 3.2.33 The medium term plan assumes that the Council will achieve year on year cashable efficiencies, including 4% in 2010/11, and this has been built into the financial strategy from 2010/11 onwards. Plans will be developed to deliver the required savings as part of the 2010/11 medium term planning process.
- 3.2.34 The financial projections put into sharp relief the need to continue to:
- a) Continue to press the CLG (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.
- 3.2.35 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 Annex 7.

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

- 3.2.36 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.
- 3.2.37 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 8 details the recommendation for a minimum prudent level of General Fund reserves. A minimum level of £3m should be built up over the medium term.
- 3.2.38 The Audit Committee at its meeting on 11 January reviewed the high level risk assessment and implementation plans for the budget options proposed by the Cabinet at their meetings on 16 December 2009 and 24 February 2010.

### **Fees and Charges**

- 3.2.39 A schedule of draft Fees and Charges for 2010/11 is attached at Annex 10. 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**

- 3.2.40 The timetable for the 2010/11 budget process requires a special meeting of the Council on 25 February 2010, 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.

- 3.2.41 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 25 February 2010 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)**

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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 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 2010-13 budget was also considered by Audit Committee at its meeting on 11 January 2010, 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 2010 (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.
- 4.3.2 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 aims 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 medium term planning option submitted. (See also 4.1.2 above).
- 4.4.4 Members are required to have specific regard to the equalities issues identified when making the decision to approve the budget options. Annex 6 to the report contains a summary of the issues identified as a result of these assessments.
- 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, key partners and NBC Overview and Scrutiny. This was undertaken through the public consultation process that took place during January and February 2010 (see also 3.2.1 to 3.2.14).

## 4.6 How the Proposals deliver Priority Outcomes

4.6.1 All of the discretionary investment 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 9.

## 4.7 Other Implications

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

- 1 Consultation responses – Overview and Scrutiny Committees
- 2 Representations on the Provisional Settlement
- 3 Changes since 16 December 2009 Cabinet
- 4 Proposed Budget 2010/11 – 2012/13
- 5 Supporting Annexes of proposed budgets by service
- 6 Summary of Issues arising from Equalities Impact Assessments
  - 6a Efficiency Savings
  - 6b MTP Savings
  - 6c Income
  - 6d Investment
- 7 The Key Medium Term Financial Issues
- 8 Robustness of Estimates – Statement of the Section 151 Officer under the requirements of Section 25 of the Local Government Act 2003
- 9 Assessment of Revenue General Fund Budget proposal to Corporate Plan Priorities
- 10 Draft Fees and Charges 2010/11

## 5. Background Papers

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### 5.1 Cabinet Reports:

24 February 2010	Corporate Plan 2010-13
10 February 2010	Budget Monitoring 2009/10 – Position as at the End of December 2009
16 December 2009	Council Wide Revenue Budget Proposal 2010-13
16 December 2009	Council Tax Base 2010/11

### 5.2 Overview and Scrutiny Reports:

- 1 25 January 2010 General Fund Revenue Budget 2010-13
- 2 8 February 2010 General Fund Revenue Budget 2010-13
- 3 1 February 2010 General Fund Revenue Budget 2010-13

5.3 Audit Committee Reports:

11 January 2010

Budget Option Risk Assessment Review

5.4 External documents:

- HM Treasury - 2007 Pre-Budget Report and Comprehensive Spending Review.
- CLG – Local Government Finance Settlement 2010/11
- Equalities and Human Rights Commission – The Public Sector Equality Duties and Financial Decisions

**Isabell Procter, Director, Finance and Support Services, 01604 838757**

**Gavin Chambers, Head of Finance, 01604 837194**

**Rebecca Smith, Assistant Head of Finance, 01604 838046**

**Ann Davies, Finance Manager, 01604 837168**