



**NORTHAMPTON
BOROUGH COUNCIL**

Item No.

11

Name of Committee	CABINET
Directorate:	Governance and Resources
Director:	Ian Thompson, Interim Finance Director
Date:	19 th December 2006

Report Title	Budget 2007/08 to 2009/10
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Key Decision	Yes
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1. Recommendations

Cabinet is invited:

- to note the report and in particular the funding shortfall identified of £3.23m after introducing a target efficiency/value for money saving of £1.1m.
- to note the actions already taken by officers to minimise the reported funding shortfall
- to determine options for future service delivery that are to be considered as the basis for public consultation to bridge the identified funding gap

2. Summary

2.1 The report sets out the current budget forecast for 2007/08 and later years. A series of options to address the identified funding shortfall will be tabled at Cabinet and subsequently used for public consultation.

3. Report Background

3.1 The Cabinet agenda of 4th December included a report on the process that was then under way to develop the draft budget for 2007/08 and later years. The report also provided an overview of the Revenue Support Grant settlement and stated that the provisional settlement was consistent with the three year forecast provided one year ago. The final Government decision on the grant settlement will not be notified until late January 2007.

3.2 In order to develop a robust budget for 2007/08 and future years, leading members of all political groups have met at intervals during the autumn of 2006 in order to be informed about the overall budget situation, its causes and to identify policy options. The most recent meeting was on 23rd November where consideration was given to a range of service delivery options put forward by officers. The meeting also considered:

- duties and responsibilities of the council in setting balanced budgets and linkage to policy planning
- the council's vision for the medium and long term
- the key issues related to the Comprehensive Performance Assessment
- the need to establish a value for money framework to assist in delivering major savings for 2007/08 and beyond
- Corporate Plan priorities

3.3 Subsequent to that meeting and having regard to the emerging financial position for the current year 2006/07, officers have continued to prepare a detailed budget for consideration by Cabinet as the basis for public consultation prior to further consideration by Cabinet on 29th January 2007. In addition, further meetings involving all political groups on the council have also taken place as the budget forecasts have been progressively refined and the forecast outturn position for 2006/07 has clarified.

3.4 The current draft budget position is summarised in the appendices. Appendix 1 indicates that there is currently a funding shortfall of some £3.23m based on:

- continuation of current service levels
- corrections to base budgets where it is clear from experience in the current year that budgets do not reflect the actual position or expectation
- additional growth items that are necessary to meet legislative requirements and to provide revenue funding for additional borrowing in support of the capital programme
- an additional contingency provision of £1m. to provide against a range of risks inherent in the draft budgets (for example, car park income that is both a significant element of the overall budget and subject to varying demand
- incorporation of a range of efficiency savings and additional income opportunities that can be achieved within the existing policy framework.
- an additional target efficiency/value for money saving as set out in the Medium Term Financial Plan agreed in September 2006.

3.5 The overall position is extremely challenging. Previous Comprehensive

Performance Assessment reports for the Council have expressed the view that the Council has too many priorities and attempts to undertake too much. The key issue for Cabinet to address therefore is what actions are to be taken to ensure that the budget to be agreed by Council at the meeting of 13th February 2007 is both balanced and robust whilst at the same time seeking to ensure that service budgets are clearly linked to explicit levels of service delivery/policy that in turn reflect the council's future priorities.

3.6 It will be essential that the Council's 'Section 151 Officer' is able to certify that the budget that is finally considered and approved by Council in February is consistent with the above, although recognising that the determination of service priorities is a matter for elected members.

3.7 Cabinet is now invited to indicate those options that are to be considered as a means of bridging the current funding shortfall, noting that these will form the basis of the required public consultation to be carried out over coming weeks. The outcome of the consultation exercise will be reported to Cabinet on 29th January 2007.

4. Options and Evaluation of Options

4.1 As indicated above, it is essential that Cabinet proposes a schedule of options for bridging the reported funding gap as the basis for wide public consultation. It can be noted that the current forecast includes an indicative council tax increase of 3%. As part of the current provisional Revenue Support Grant settlement, it has been indicated that the Government may invoke reserve 'capping' powers where rises exceed 5%.

5. Resource Implications (including Financial Implications)

5.1 The scale of the funding shortfall is set out above and detailed in the appendices.

6. Risk and Opportunity Issues

6.1 There is a range of risk factors to be taken into account in setting the budget. As stated above, provision to increase the council's reserves by a further £1m. has been incorporated into the draft budget in recognition of a number of key risks that are perceived in relation to the budget as currently presented.

7. Consultees (Internal and External)

Internal	CE, Directors, Corporate Managers, Leading Members
External	To be undertaken prior to Cabinet 29 th January 2007.

8. Compliance Issues

A: How Proposals Deliver Priority Outcomes

Recovery Plan
To be determined.
Corporate Plan
To be determined.

B: Other Implications

Other Strategies
N/a

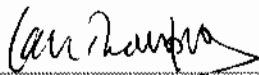
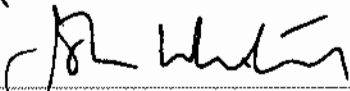


Finance Comments
Included above.

Legal Comments

9. Background Papers

Title	Description	Source

Ian Thompson, Interim Finance Director

Name	Signature	Date	Ext.
Author	Ian Thompson 	18.12.06	8744
Corporate Manager	N/a		
Director	John Whiteoak 	18.12.06	8706
Monitoring Officer or Deputy (Key decision only)	Francis Fernandes 	18.12.06	7334
Section 151 Officer or Deputy (Key decision only)	Bill Lewis 	18.12.06	

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

	2007/08 £000's	2008/09 £000's	2009/10 £000's	Note
Medium Term Financial Plan				
See 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
Print 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
Regeneration & Growth				
Regeneration and Growth	-70	-70	-70	18
Concessionary Fares	200	200	200	19
Performance and Improvement				
IT	-57	-57	-57	20
Streetscene & Property Maintenance				
Highways Revenue Account	357	356	351	21
Domestic Refuse Collection and Recycling	143	143	143	22
Trade Refuse Collection	271	355	318	23
Human Resources				
Pay and Grading Review	-500	-300	0	24
Training	-200	-200	-200	25
Housing				
Homelessness	-160	-160	-160	26
Additional Capacity Revenues and Benefits	250	250	250	27
Total Continuing Impact on Future Years Budgets	1,253	1,302	1,572	
Additional Future Years Budget Pressures				
Additional Debt Charges	350	350	350	28
Excess Inflation - Principally Energy	294	179	221	29
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	30
Less Value for Money/Efficiency Target as per Medium Term Financial Plan	-1,115	-1,350	-1,600	
Total	3,230	3,164	3,438	

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
Concessionary Fares Extended Scheme	150	150	150
Concessionary Fares Extended Scheme Removal	-150	-150	-150
	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
	0	1,115	1,350

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	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
19	Concessionary Fares Additional cost of Concessionary fares.
20	IT Removal of a post -£32k and ongoing savings on the running costs of the internal telephone system -£25k
21	Highways Revenue Account Non achievement of the budgeted income for the service due to the loss of trading activity with Atkins/County Council.
22	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.
23	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.
24	Pay and Grading Review Savings arising from the proposed re-phasing of implementation of the Pay and Grading review.
25	Training Deletion of previously committed growth for the corporate training budget.
26	Homelessness Deletion of additional budget allocated in the Medium Term Financial Plan of £100k. Additional savings of £80k are proposed on the service due to the cessation of the use of Bed and Breakfast accommodation.
27	Additional Capacity Revenues and Benefits Cost of providing additional capacity within the service to maintain improved service levels.
28	Additional Debt Charges Cost of servicing additional borrowing required on a short term basis to fund the committed 2006/07 capital programme.
29	Excess Inflation - Principally Energy Additional inflation - principally energy costs impacting on leisure centres and car parks.
30	Contingency Provision See reference in main body of report.