

Meeting: Council
Portfolio Area: Resources
Date: 28th February 2007

MAIN DEBATE - COUNCIL TAX AND GENERAL FUND BUDGET 2007/08

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KEY DECISION

1 PURPOSE

1.1 To set the 2007/08 Council Tax and approve the 2007/08 General Fund Budget.

2 RECOMMENDATIONS

It is recommended:-

- 2.1 That the comments of the Scrutiny Overview Committee on the General Fund Budget proposals be noted.
- 2.2 That the Budget summarised at Appendix A to the report be the Council's General Fund Budget for 2007/08.
- 2.3 That it be noted that a proposed General Fund Budget Requirement for 2007/08 of £14,468,260 and use of balances of £1,931,964 would result in a Band D Council Tax of £176.33 (assuming a 3.5% increase), as reflected in the draft Council Tax Resolution at Appendix C.
- 2.4 That a General Fund Revenue Account Contingency Sum in the Budget and Policy Framework for 2007/08 of £500,000 be agreed.
- 2.5 That if the Council, at its discretion, agree to vary the budget, in the course of its considerations; any alteration should be brought to the attention of the Scrutiny Overview Committee.
- 2.6 That the 2007/08 General Fund Capital Forward Plan schemes as summarised in paragraph 6.1 of the report be approved.
- 2.7 That a Contingency Sum in the budget and policy framework for 2007/08 of £2,000,000 for the Capital Programme be agreed.
- 2.8 That the advice of the Assistant Chief Executive (Finance) on the robustness of the draft budget and the adequacy of reserves (Appendix B of the report) be noted.

3 BACKGROUND

- 3.1 In July the Executive approved a revised Medium Term Financial Strategy which if achieved, would deliver a sustainable financial strategy, a balanced budget with resources in line with expenditure, and a prudent level of balances to cover unexpected liabilities, costs or pressures.
- 3.2 At the November meeting, the Executive approved a range of savings options to be included in the 2007/08 Budget after taking into consideration expected budget pressures.
- 3.3 In December the Executive approved a schedule of revenue growth items for 2007/08.
- 3.4 In January the Executive considered a report on the draft General Fund Budget 2007/08 incorporating the General Fund Revenue Savings, Pressures and Growth Proposals identified above. The Executive recommended the draft General Fund Budget for consideration by the Scrutiny Overview Committee as part of the 2007/08 Budget process.
- 3.5 The General Fund Budget was considered by Scrutiny Overview Committee on 29th January 2007 and referred on to a Scrutiny Topic Group. The considerations of the Scrutiny Topic Group are detail in this report. The Final Draft 2007/08 General Fund Budget, post Scrutiny, was presented to the February Executive.
- 3.6 This process forms part of the Council's Budget and Policy Framework. Under Article 4 of the Constitution, the Budget includes: the allocation of financial resources to different services and projects; proposed contingency funds; the council tax base; setting the council tax; decisions relating to the control of the Council's borrowing requirement; the control of its capital expenditure; and the setting of virement limits.
- 3.7 This report presents the comments of the Scrutiny Overview Committee on the draft General Fund Budget. The report is divided into two parts – the consultation process; the General Fund Budget and Council Tax proposals. Consideration of the Budget is a matter for Council and a recommendation contained in the front of this report notes that the Council may agree to additional expenditure, or variations, to the Budget. Any such variations to the expenditure proposals are likely to result in an adjustment to the Use of Balances.

4 CONSULTATION PROCESS

4.1 Scrutiny Overview Committee

- 4.1.1 The Scrutiny Overview Committee has considered the Executive reports referred to above and their comments are shown below.

4.1.2 General Fund Revenue Budget

The Scrutiny Overview Committee convened a Budget Scrutiny Topic Group on the 1st February 2007. The Assistant Chief Executive (Finance) provided the Scrutiny Overview Committee Topic Group with a detailed briefing on the Budget.

In summary:-

- The Budget has developed since July 2006 when an updated Medium Term Financial Strategy with Savings & Growth targets were agreed by Members. A range of Savings Options and Budget pressures were presented to Members in November 2006 and December 2006. Scrutiny Overview Committee considered these aspects of the Budget Process at these respective stages
- The Draft General Fund Budget was presented to Members in January 2007 and covered the following:-
 - Explanation of variances between 06/07 original estimates, probables and 07/08 estimates
 - Comparison of budget against strategy projections
 - Update on the results of the Budget Consultation
- The Budget Scrutiny Topic Group reviewed the General Fund Budget in the context of the following considerations:-
 - *Does the budget match what the Council is trying to achieve, i.e. its corporate priorities?*
 - *Is the spending what is right for Stevenage?*
 - *Are we doing anything that we no longer need to do?*
 - *Are services providing value for money (VFM)? How is VFM measured and how does it relate to service quality?*
 - *What level of Council Tax is acceptable?*
- The Topic Group conducted a robust debate around these issues. All of the Council's main Expenditure and Income areas were considered, including front line and support services, and major sources of Fees and Charges were discussed. Key issues arising from the Topic Groups debate were:
 - the delivery of VFM Services,
 - the balance of Statutory and Discretionary Services
 - consideration of alternative forms of Service Delivery
 - ensuring the delivery of co-ordinated Services within the context of defined Strategies,
 - and sustainability.
- The Topic Group was content that the 2007/08 General Fund Budget as presented be referred back to Executive for recommendation on to Council. The Topic Group will make a report back to the Scrutiny Overview Committee and it is anticipated that the Budget Scrutiny debate will feed into formulating the Scrutiny Overview Committee's work-plan for the coming year and that some of the key issues raised by the Topic Group may be scrutinised in more detail during the course of the year.

4.2 Consultation with Non Domestic Ratepayers

- 4.2.1 The rate levy for non-domestic ratepayers is outside of the control of Stevenage Borough Council and is set by central government. Nevertheless, Section 134 of the Local Government Finance Act 1988 places a duty on the Council to consult with non-domestic ratepayers on the Council's spending plans (both revenue and capital) for the forthcoming finance year.

- 4.2.2 Central government has provisionally set the 2007/08 rate levy at 44.4p in the £, an increase of around 2.5% over the 2006/07 levy of 43.3p.
- 4.2.3 A consultation forum was arranged between officers and Members of the Council, Hertfordshire Chamber of Commerce, representatives from the local business community and other organisations. The forum will be held on 14th February 2007. A verbal report will be given on the outcome of this consultation at Council, if requested.

5 GENERAL FUND BUDGET 2007/08

5.1 General

- 5.1.1 Summaries of the draft General Fund budget net requirements are attached as Appendix A.

5.2 B/F at 1st April 2006

- 5.2.1 At the Statement of Accounts Committee in June 2006, the Assistant Chief Executive (Finance) was given delegated authority to approve individual carry forwards during the course of 2006/07 up to £300,000. The 2006/07 probable includes £221,000 of such approvals.

5.3 Budget Savings

- 5.3.1 The November Executive meeting approved savings of £942,449 in 2006/07 and £1,200,959 in 2007/08 plus budget pressures of £315,600 in 2006/07 and £221,700 in 2007/08 for inclusion in the Council's Budget for 2007/08. The savings and pressures have been incorporated into the budget summarised in Appendix A.

5.4 Revenue Growth

- 5.4.1 The December Executive meeting approved a limited range of priority 1 growth items of £472,595 (£263,500 in 2008/09 and £235,500 ongoing) for inclusion in the Council's Budget for 2007/08. The growth items have been incorporated into the budget summarised in Appendix A.

5.5 Summary

- 5.5.1 The net totals by portfolio area are as follows. For comparison purposes in the summary below, the transfer of negative housing subsidy from the HRA under the transitional arrangements has been excluded from the Housing portfolio in which it appears in the detailed figures submitted to Executive:

	<u>2006/07</u> Estimate £	<u>2006/07</u> Probable £	<u>2007/08</u> Estimate £
<u>Portfolio Areas</u>			
Community Services	7,684,130	8,399,190	8,112,130
Housing Services	2,484,650	2,233,280	2,192,770
Environmental Services	12,826,970	13,789,110	13,325,870
Area Committees	386,550	375,830	378,300
Resources	Cr <u>8,097,030</u>	Cr <u>8,328,870</u>	Cr <u>8,163,020</u>
	15,285,270	16,468,540	15,846,050
Transitional Negative Subsidy Transfer	Cr <u>1,468,610</u>	Cr <u>1,468,610</u>	Cr <u>1,101,450</u>
	13,816,660	14,999,930	14,744,600
Less Contractor Surpluses	Cr <u>175,680</u>	Cr <u>253,480</u>	Cr <u>276,340</u>
Net Expenditure	13,640,980	14,746,450	
Total Requirement 2007/08			<u>14,468,260</u>

5.6 Balances and Reserves

- 5.6.1 All balances, reserves, and contractor profits are considered to be available to meet annual deficits.
- 5.6.2 Total available balances and reserves as at 1st April 2007 are estimated to be £6.288m (after use of balances in 2006/07 of £2.834m and after setting aside the minimum balance (previously agreed at £800,000) needed to meet unforeseen expenditure and/or income losses arising in the year and to meet expenses arising before income is received).
- 5.6.3 The net use of balances projected over this year and next year amounts to some £4.76m (£2.83m in 06/07 and £1.93m in 07/08)
- 5.6.4 The Local Government Act 2003 places a duty on the Chief Finance Officers of Local Authorities to report to the Council, at the time the budget is set, on the robustness of the estimates included in the budget and the adequacy of reserves for which the budget provides. The advice of the Assistant Chief Executive (Finance) on these matters is set out in Appendix B.

5.7 Exchequer Finance and Precepting Bodies

- 5.7.1 The provisional settlement figures were issued on 28th November, at which time the total Revenue Support Grant (RSG) and Business Rate Income (NNDR) receivable by Stevenage was £7,654,000, an increase over 2006/07 of £441,000 (6.1%).
- 5.7.2 The final settlement was approved in Parliament on 18th January and was unchanged from the provisional notification.
- 5.7.3 The total Council Tax required to be collected by Stevenage Borough includes the Herts County Council and Herts Police Authority precepts.

5.8 Council Tax

The Police Authority and County Council budgets are due to be finalised on 23rd and 27th February 2007 respectively.

As noted in the Background section of this report, the Budget setting process includes consideration of Council Tax levels. The summary below indicates the estimated 2007/08 position assuming for consultation purposes a Council Tax increase of 3.5% (as projected in the Budget Strategy) and estimated Collection Fund surpluses. Each ½% variation in the Council Tax increase is equivalent to approximately £23,000 and would require an equivalent adjustment to the Use of Balances given the Net Requirement as proposed. The Council Tax Base was determined at the Executive meeting on 24th January 2007. Future increases in Council Tax are currently assumed in the Council's Medium Term Financial Strategy at an ongoing level of 3.5% per annum.

Projected Council Tax Position 2007/08

	<u>2006/07</u> Estimate £	<u>2006/07</u> Probable £	<u>2007/08</u> Estimate £
Net Expenditure	13,640,980	14,746,450	14,468,260
Use of Balances	<u>(1,728,697)</u>	<u>(2,834,167)</u>	<u>(1,931,964)</u>
Budget Requirements	11,912,283	<u>11,912,283</u>	12,536,296
Total Exchequer Finance	<u>7,213,417</u>		<u>7,653,773</u>
	4,698,866		4,882,523
Collection Fund Surplus	38,223		<u>38,086</u>
Council Tax Requirement	4,660,643		4,844,437
Council Tax Base	27,356.01		27,473.70
Council Tax (Band D)	170.37		176.33
Council Tax (Band C)	151.44		156.74

5.9 Contingency Sums

Council will recall that a Contingency Sum needs to be determined as part of the Budget and Policy Framework in order to avoid the need for Council to consider all supplementary estimates during the course of the year. This contingency sum constitutes an upper limit within which the Executive can approve supplementary estimates, rather than part of the Council's Budget Requirement for the year. A sum of £500,000 is proposed for 2007/08.

5.10 Achievement of Savings

As referred to earlier in this report, statutory and service expenditure pressures are inevitable in the next few years, and in order to accommodate them in its financial position, the Council must continue its work during 2007/08 in delivering the targets set out in the Council's Medium Term Financial Strategy and therefore identify and deliver further savings.

6 CAPITAL PROGRAMME

6.1 At its meeting in December, the Executive approved the 2007/08 General Fund Capital Priority 1 Forward Plan schemes which are summarised below.

	2007/08
Priority 1 Schemes - General	£2,649,000
Priority 1 Schemes – IT	£194,000
Affordable Housing	£500,000
Maintenance Deficit	£1,223,000
Vehicle, Plant & Machinery Replacement Programme	£658,000
Total	<u>£5,224,000</u>

6.2 It is estimated that the Council will have available Capital Resources of some £20m as at 1st April 2007. An exercise is in-hand to re-phase the Council's Medium Term Capital Strategy in order to ensure that the Capital Programme through to 2010/11 can be adequately funded. An updated report on the Medium Term Capital Strategy will be brought back to members shortly. The 2007/08 HRA Capital Budget was approved at Council on 8th January 2007 as part of the Decent Homes Major Works Contracts Report. A report detailing the proposed allocation of this approved budget across HRA Capital Schemes will be reported to the Executive in March 2007. At the time of writing the outcome of the Council's ALMO Bid is still outstanding. The eventual outcome of the bid will be incorporated into a revised update of the Capital Strategy in due course.

6.3 A contingency sum is required for the Capital Programme as the level within which the Executive can approve supplementary estimates without referral to Council. This arises from the need to respond to capital expenditure pressures, and the variations in available capital resources available to meet these pressures. It is recommended that this contingency sum remains at £2 million.

7 IMPLICATIONS

7.1 Policy and Financial Implications

The report deals with Council policy and finances and as such all implications are contained in the main body of the report.

7.2 Legal Implications

None

BACKGROUND DOCUMENTS

- Budget Working Papers
- Finance Settlement Notification

APPENDICES

Appendix A – General Fund Revenue Budget Schedules

Appendix B – Assistant Chief Executive (Finance) Statement on Robustness
of Estimates and Adequacy of Reserves

Appendix C – Draft Council Tax Resolution

Statement of the Assistant Chief Executive (Finance)
Robustness of Estimates and Adequacy of Reserves

1 ROBUSTNESS OF ESTIMATES

The Council process for producing the budget estimates involves responsible budget holders and finance officers reviewing and projecting the Base Budget. The Probable Estimates are determined against a background of ongoing budget monitoring for the current financial year and an evaluation of the outturn position and Budgets carried forward from the previous financial year. The 2007/08 Estimates are determined by evaluating and costing all known changes, including pay and price levels, legislative changes, demands for services and policy developments. As the Council seeks to eliminate its underlying Budget gap the current Budget Process has rigorously reviewed current budgets to secure significant budget savings, without affecting Service Provision. A number of savings exercises have been adopted and the Council's Forward Planning process has ensured that growth has been limited to legislative and essential Service improvements only. The process is co-ordinated by the Accountancy Section in liaison with the various Service Delivery Units and the Council's Strategic Management Board. The Budget is recommended by the Executive, for approval by Full Council after it has been through the Scrutiny process required by the Council's Constitution. The process includes consideration of risks and uncertainties associated with projections of future pay, prices, interest rates and projected levels and timing of other potential liabilities.

The Council's Financial Regulations require responsible budget holders to ensure that net expenditure does not exceed the total of their Service budgets. Where, despite the assessment of risks that forms part of the Budget Process, a Budget comes under pressure during the course of the financial year, the Council's Budgetary Framework and Financial Regulations lay down appropriate procedures. Where budget variations cannot be contained overall by the use of virements, requests for supplementary estimates have to be submitted to the Executive or Full Council, as appropriate. Supplementary Estimates are met from available balances and reserves.

The Assistant Chief Executive (Finance) considers that the Estimates and the processes used to produce them are sound and robust.

2 ADEQUACY OF RESERVES

The Council's annual budgetary process and the assessment of the adequacy of Reserves are undertaken in the context of robust medium term financial forecasting. Whilst the Council currently has significant levels of Reserves, the Council's Medium Term Financial Strategy acknowledges that the majority of these will be utilised in the medium term. Over the same period the Council will be required to eliminate the current Budget gap on its General Fund.

Total available General Fund balances and reserves as at 1st April 2007 are estimated to be £6.288m (after use of balances in 2006/07 of £2.834m, and after setting aside the minimum balance (previously agreed at £800,000). The minimum balance is that determined to be

necessary to meet any unforeseen expenditure and/or losses of income arising in the year and to meet expenses arising in the year and to meet expenses arising before income is received.

Total available HRA balances as at 1st April 2007 are estimated to be £1.942m (after use of balances in 2006/07 of £1.635m), and after setting aside the minimum balance (agreed at £500,000).

It is estimated that the Council will have available Capital Resources of some £20m as at 1st April 2007. An exercise is in-hand to re-phase the Council's Medium Term Capital Strategy in order to ensure that the Capital Programme through to 2010/11 can be adequately funded. An updated report on the Medium Term Capital Strategy will be presented to members. At the time of writing the outcome of the Council's ALMO Bid is still outstanding. The eventual outcome of the bid will be incorporated into revised update of the Capital Strategy in due course.

In assessing the adequacy of the Council's reserves, the robustness of its Budgetary Process and Systems of Internal Control, the assumptions and uncertainties discussed in the Budget report, and the levels of special provision have been considered.

In coming to a view on the adequacy of reserves, risks in the area of litigation, business continuity, civil emergency, failure of information systems, budgetary control and interest rate calculations have been considered in terms of the possible maximum financial impact and their probability of occurrence. On this basis, the Assistant Chief Executive (Finance) considers that the level of general balances is adequate for the 2007/08 financial year.

3 SPECIFIC RESERVES

As part of the budget preparation process, the current and projected levels of the Council's specific reserves have been considered. Following this review, the Assistant Chief Executive (Finance) confirms that these reserves as projected continue to be required and are adequate to cover the purposes specified.

STEVENAGE BOROUGH COUNCIL

Wednesday 28th February 2007

COUNCIL TAX RESOLUTION

SETTING THE AMOUNT OF COUNCIL TAX FOR THE COUNCIL'S AREA

1. That the following be approved:
 - a. the probable revenue estimates for the year 2006/07 amounting to £14,746,450 and the revenue estimates for 2007/08 amounting to £14,468,260;
 - b. the contribution from balances of £2,834,167 in 2006/07;
 - c. the contribution from balances totalling £1,931,964 in 2007/08.
2. That it be noted that at its meeting on 24th January 2007 the Executive calculated the amount of 27,473.70 Band D equivalent properties as its council tax base for the year 2007/08 in accordance with Regulation 3 of the Local Authorities (Calculation of Council Tax Base) Regulations 1992 made under Section 33(5) of the Local Government Finance Act 1992.
3. That the following amounts be now calculated by the Council for the year 2007/08 in accordance with Sections 32 to 36 of the Local Government Finance Act 1992:
 - a. £12,536,296 Being the aggregate of the amounts which the Council estimates for the items set out in Section 32(2)(a) to (e) of the Act, less the aggregate of the amounts which the Council estimates for the items set out in Section 32(3)(a) to (c)
 - b. £7,653,773 Being the aggregate of the sums which the Council estimates will be payable for the year into its general fund in respect of redistributed non-domestic rates and revenue support grant
 - c. £38,086 Being the utilisation of the Council's share of the estimated surplus totalling £278,000 as calculated in accordance with Sections 97(3) and Section 98(4) of the Local Government Finance Act 1988

d. £176.33 Being the amount at 3a. above less the amounts at 3b. and 3c. above, all divided by the amount at 2. Above, calculated by the Council, in accordance with Section 33(1) of the Act, as the basic amount of its council tax for the year

e. Valuation Bands

A	£ 117.55
B	£ 137.15
C	£ 156.74
D	£ 176.33
E	£ 215.51
F	£ 254.70
G	£ 293.88
H	£ 352.66

Being the amounts given by multiplying the amount at 3d. above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation D, calculated by the Council, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

4. a. That it be noted that for the year 2007/08 Hertfordshire County Council have stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of the dwellings shown below:

Valuation Bands

A	£
B	£
C	£
D	£
E	£
F	£
G	£
H	£

- b. That it be noted that for the year 2007/08 Hertfordshire Police Authority have stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992 and amended by Section 27 of the Police and Magistrates' Court Act 1994, for each of the categories of the dwellings shown below:

Valuation Bands

A	£
B	£
C	£
D	£
E	£
F	£
G	£
H	£

5. That, having calculated the aggregate in each case of the amounts at 3e. and 4a. and b. above, the Council in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts for council tax for the year 2007/08 for each of the categories of dwellings shown below:

Valuation Bands

A	£
B	£
C	£
D	£
E	£
F	£
G	£
H	£