

Meeting: COUNCIL

Agenda Item:

Portfolio Area: Resources

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Date: 27 February 2008

MAIN DEBATE - SETTING THE COUNCIL TAX AND GENERAL FUND BUDGET
2008/09

(Finance - Corporate)

KEY DECISION

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1. PURPOSE

To propose to Council the 2008/09 Council Tax and General Fund Revenue Budget.

2. RECOMMENDATIONS

The Executive agreed the following recommendations to Council:

- 2.1 That the Budget summarised at Appendix A to this report be the Council's General Fund Budget for 2008/09.
- 2.2 That a General Fund Budget Requirement for 2008/09 of £15,012,420, use of balances of £2,064,690 and a Band D Council Tax of £181.44 (assuming a 3.9% increase), as reflected in the draft Council Tax Resolution at Appendix B, be approved.
- 2.3 That a General Fund Revenue Account Contingency Sum in the Budget and Policy Framework for 2008/09 of £400,000, be approved.
- 2.4 That it be noted that the Executive accepted that the Council may, at its discretion, agree to vary the budget, in the course of its considerations.
- 2.5 That the advice of the Strategic Director (Resources) on the robustness of the draft budget and the adequacy of reserves (Appendix C) be noted.

- 2.6 That the impact of the proposed 2008/09 General Fund Revenue Budget on the Medium Term Financial Strategy be noted.
- 2.7 That the positive contribution to the drafting of the budget proposals made by those who attended the Community Conference and those who took part in other consultation initiatives be noted.
- 2.8 That the positive interest voiced by the Business Community on budget consultation and interest expressed regarding Business Improvement Districts be noted.
- 2.9 That it be noted that the Executive considered the comments made by the Scrutiny Overview Committee (SOC) concerning the General Fund Budget and looks forward to receiving its report on the outturn variations that is to be the focus of SOC's budget review work this year.

3. BACKGROUND

- 3.1 In July 2007, the Executive approved a revised Medium Term Financial Strategy, which if achieved, would over time, deliver a sustainable financial strategy, a balanced annual budget with resources in line with expenditure, and a prudent level of balances to cover unexpected liabilities, costs or pressures.
- 3.2 Following the approval of the July Report arrangements were put in place to establish a Leader's Services Priority Group (LSPG) to consider in detail the Council's Service priorities. In addition a Budget Review Team (BRT) was established to co-ordinate the development of potential savings options from across the Council. The outcome of the work of these groups and the proposals arising from them were reported to the Executive in December 2007.
- 3.3 At the December meeting, the Executive approved a review of the Council's fees and charges, a range of saving options proposals and revenue Forward Plan items to be included in the 2008/09 Budget.
- 3.4 In January the Executive considered a report on the draft General Fund Budget 2008/09 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 2008/09 Budget process.
- 3.5 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.
- 3.6 This report also presents the comments of the Scrutiny Overview Committee on the draft General Fund Budget, which were reported to the February Executive. The report is divided into two parts - the consultation process and the General Fund Budget. Consideration of the Budget is a matter for Council and Executive have noted that Council may agree to vary the budget in the course of its considerations.

4. CONSULTATION PROCESS

4.1 Scrutiny Overview Committee

4.1.1 The Scrutiny Overview Committee (SOC) considered the January Executive Budget report and their comments were reported back to the February Executive as shown below.

4.1.2 General Fund Revenue Budget - Scrutiny

The Strategic Director (Resources) and Head of Finance provided the Scrutiny Overview Committee with a detailed briefing on the Budget on 28 January 2008.

In Summary

- The Budget has developed since July 2007 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 December 2007 following extensive work by the Leaders Services Priority Group and Budget Review Team. 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 07/08 original estimates, probables and 08/09 estimates
 - Comparison of budget against strategy projections
 - Update on the results of the Budget Consultation
- The Scrutiny Overview Committee enquired if the Executive had raised any specific issues with regard to the draft Budget as presented to them. The Head of Finance explained that Executive had approved the draft budget to proceed through the Scrutiny process and in addition proposed that
 - The current Forward Plan process remain in place in order that all such bids can be considered together rather than on an ad hoc basis, as proposed for the future, by officers, in the draft budget report
 - That a Working Group of the Executive be established to consider further options for future savings.
- The Scrutiny Overview Committee raised some issues related to Capital, particularly with reference to issues that the Committee had been scrutinising in respect of the Swimming Pool. Following discussion the Scrutiny Overview Committee noted that it would see the Capital Forward Plan following its submission to February Executive.
- Given the various innovative approaches to Budget Scrutiny adopted by Scrutiny Overview Committee and its Topic Groups in recent years, the Committee determined that it would focus its budget scrutiny this year on a detailed review and analysis of outturn variations to budget. Initial work in this respect identified some patterns that were explainable and probably justifiable but others that indicated where the focus of this review by the Scrutiny Overview Committee Topic Group would be concentrated.
- The Scrutiny Overview Committee was content the 2008/09 General Fund Budget, as presented, be referred back to Executive for recommendation on to

Council. It is anticipated that some key issues may be raised by the Budget Topic Group and their comments will be fed into ongoing Budget review and savings processes.

4.1.3 At its February meeting the Executive considered the comments made by the Scrutiny Overview Committee concerning the General Fund Budget and stated that it looked forward to receiving SOC's report on the outturn variations that is to be the focus of budget scrutiny review work this year.

4.2 Public Consultation

4.2.1 The Government places great importance on consultation, expecting Local Councils to be 'in touch with the people'. Stevenage Borough Council has a good track record of listening to the community. Its public consultation strategy 'Engaging Local Communities' sets out our approach to consultation and the annual consultation programme identifies a range of consultation approaches including public opinion surveys and user satisfaction surveys that are carried out in a co-ordinated way. The results of consultations are used to inform the Council's priorities, to review its services and where appropriate to make improvements.

4.2.2 The Council wants to make sure that users are properly informed about the Council, its role, its policies and its performance so that they can take part in shaping and developing future services and setting priorities. It wants all members of the community, including those in hard to reach groups such as young people, people with disabilities and minority ethnic groups, to have a voice in the democratic process and be involved in open decision-making.

4.2.3 During the summer of 2004/05 the council ran its first Community Conference using qualitative techniques to find out what was important to the community so that a review of the priorities in our Corporate Business Strategy could be carried out. Questions were also asked about the council's budget and where it spends its money and the results were used to inform the budget setting process.

4.2.4 During 2006/07 the Council undertook the mandatory triennial Best Value General User Survey which measured satisfaction levels of selected Council Services. Again the results were used to inform the review of the Corporate Business Strategy.

4.2.5 Value for Money was the theme for our second and third Community Conferences during the summers of 2006 and 2007. Questions were asked in small focus groups about where customers would opt for resources to be spent and the customer understanding of value for money. Again the main message was that the Council should enhance services without increasing spend. These results have been used to inform the budget setting process, particularly in relation to identifying areas where budget savings could be made without affecting service delivery.

4.2.6 Executive noted the positive contribution to the drafting of the budget proposals made by those who attended the Community Conference and those who took part in other consultation initiatives and requested that this be reported to Council.

4.3 Consultation with Non Domestic Ratepayers

- 4.3.1 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 financial year.
- 4.3.2 Central government has provisionally set the 2008/09 rate levy at 46.2p in the £, an increase of around 4.1% over the 2007/08 levy of 44.4p.
- 4.3.3 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 was held on the morning of 13th February 2008 and a verbal report was given to the February Executive. The Business Community welcomed the consultation and voiced interest with regard to the Business Improvement Districts (BID) initiative. The Executive acknowledged that the potential of the BID initiative within Stevenage might warrant further consideration.

5. GENERAL FUND BUDGET 2008/09

5.1 General

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

5.2 B/F at 1st April 2007

At the Executive Committee in July 2007 the Strategic Director (Resources) was given delegated authority to approve individual carry forwards during the course of 2007/08 up to £275,000. The 2007/08 probable includes approvals of £143,000.

5.3 Budget Savings

The December Executive meeting approved savings of £191,570 in 2007/08 and £1,528,470 in 2008/09 for inclusion in the Council's Budget for 2008/09. The savings have now been incorporated in the budget schedules in Appendix A.

5.4 Revenue Growth

The December Executive meeting approved a limited range of growth items of £444,380 (£401,590 in 2009/10 and £366,190 ongoing) for inclusion in the Council's Budget for 2008/09. The growth items have now been incorporated into the budget schedules in Appendix A. The Executive amended a proposal contained in the January draft Budget Report that in future, items of revenue growth should be dealt with on an individual basis as and when they arose. Executive favoured the retention of the current annual forward planning process to ensure all approved revenue growth would be evaluated consistently.

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:

	2007/08 Estimate £	2007/08 Probable £	2008/09 Estimate £
Community Services	8,258,910	6,780,840	6,404,240
Housing Services	2,227,640	2,126,500	2,314,850
Environmental Services	13,288,620	11,999,280	11,897,380
Areas Committees	378,300	415,670	339,720
Resources	Cr 7,891,570	Cr 4,747,400	Cr 4,885,480
	16,261,900	16,574,890	16,070,710
Transitional Negative Subsidy Transfer	Cr 1,101,450	Cr 1,101,450	Cr 734,300
	15,160,450	15,473,440	15,336,410
Less Contractor Surpluses	Cr 276,340	Cr 342,320	Cr 323,990
Net Expenditure	14,884,110	15,131,120	15,012,420

5.5.2 The Final Budget proposals above reflect the inclusion of a £35,000 revenue supplementary estimate approved at Executive in January and a number of other minor adjustments to the January draft Budget which have increased the Probable by £50,100 and the 2008/09 estimate by £9,510. These variations in the proposed Final 2008/09 Budget do not have a significant impact on the Medium Term Financial Strategy (MTFS) as reported to the Executive in January 2008, which indicated that by achieving additional savings targets, ongoing balances could be maintained at about £1 million and the Budget Gap could finally be closed over the life of the MTFS.

5.6 Balances & 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 2008 are estimated to be £3.935m (after use of balances in 2007/08 of £2.642m), and £1.870m as at 1st April 2009 (after use of balances in 2008/09 of £2.065m). These levels of balances are stated 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 Local Government Act 2003 places a duty on the Chief Financial 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 Strategic Director (Resources) on these matters is set out in Appendix C.
- 5.6.4 Whilst the ongoing savings that still need to be achieved continue to present the Council with difficult issues to face, it is felt that following the savings achieved in the current years process, the targets are achievable and the effective running of the Council will be enhanced when a balanced budget is achieved. As the Council progresses towards this position it is important that budget restraint is exerted on an ongoing basis.

5.7 Exchequer Finance and Precepting Bodies

- 5.7.1 The provisional settlement figures were issued on 6th December, and a briefing note on the settlement was provided for all Members and summarised in the December Executive report. At that time the total Revenue Support Grant (RSG) and Business Rate Income (NNDR) receivable was £7,775,078, an increase over 2007/08 of 1%.
- 5.7.2 The final settlement was approved in Parliament on 24th January and was unchanged from the provisional notification.
- 5.7.3 The total Council Tax required to be collected by Stevenage Borough Council includes the Hertfordshire County Council and Hertfordshire Police Authority precepts.

5.8 Council Tax

The Police Authority and County Council budgets are due to be finalised on 22nd and 26th February 2008 respectively, and an amended Council Tax Resolution to incorporate their figures will be tabled at Council.

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 2008/09 position assuming for consultation purposes a Council Tax increase of 3.9% and estimated Collection Fund surpluses. The Council Tax Base was finalised at the Executive meeting on 23rd January 2008.

Projected Council Tax Position 2008/09

	2007/08 Estimate £	2007/08 Probable £	2008/09 Estimate £
Net Expenditure	14,884,110	15,131,120	15,012,420
Use of Balances	(2,394,519)	(2,641,529)	(2,064,690)
Budget Requirements	12,489,591	12,489,591	12,947,730
Total Exchequer Finance	(7,653,773)	(7,653,773)	(7,775,078)
	4,835,818	4,835,818	5,172,652
Collection Fund Surplus	(38,086)	(38,086)	(51,508)
Council Tax Requirement	4,797,732	4,797,732	5,121,144
Council Tax Base	27,473.70	27,473.70	28,225.00
Council Tax (Band D)	174.63	174.63	181.44
Council Tax (Band C)	155.23	155.23	161.28

5.9 Contingency Sums

A Contingency Sum needs to be determined by the Council 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 has been maintained in previous years. However, as the level of the Council's balances are reduced and the need to contain any future budget pressures becomes paramount it is considered the Contingency Sum ought to be reduced. A sum of £400,000 is therefore proposed for 2008/09.

BACKGROUND DOCUMENTS

- Finance Settlement Notifications

APPENDICES

- Appendix A - 2007/08 Probable & 2008/09 Estimates General Fund Budget
- Appendix B - Draft Council Tax Resolution
- Appendix C - Robustness of the Draft Budget and Adequacy of Reserves