

Meeting: COUNCIL

Agenda Item:

Portfolio Area: Resources

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Date: 25 February 2009

MAIN DEBATE SETTING THE COUNCIL TAX AND THE GENERAL FUND BUDGET 2009/10

KEY DECISION

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1 PURPOSE

To approve the Council Tax level and General Fund Budget 2009/10 following the Budget consultation process.

2 RECOMMENDATIONS

The Executive agreed the following recommendations to Council:

- 2.1 That the budget detailed at appendix A to this report be the Council's General Fund budget for 2009/10.
- 2.2 That a General Fund Budget Requirement for 2009/10 of £15,125,350, use of balances of £1,802,969 and a Band D Council Tax of £190.41 (assuming a 4.9% 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 2009/10 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.

3 BACKGROUND

- 3.1 In July 2008, 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 for the Leader's Services Priority Group (LSPG2) was reconvened for the second year to consider in detail the Council's Service priorities. The outcome of the work of the group and the proposals arising from them were reported to the Executive in December 2008.
- 3.3 At the December meeting, the Executive re-approved the Council's Fees and Charges Strategy, a range of saving options proposals and revenue Forward Plan items to be included in the 2009/10 Budget.
- 3.4 In January the Executive considered a report on the draft General Fund Budget 2009/10 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 2009/10 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. The report is divided into two parts - the consultation process and the General Fund Budget. Consideration of the Budget is a matter for Full Council and a recommendation contained in the front of this report notes the Council may agree to additional expenditure, or variations, to the Budget.
- 3.7 This report stresses that whilst some of the proposals that have been put forward present the Council with some difficult issues to tackle, it is paramount for the future effective running of the Council that its budget gap is closed. As a result of the additional current economic pressures experienced by the Council, the MTFS presented to Members in the January Executive showed a savings target was required in future years.
- 3.8 The Executive considered the General Fund budget on the 11 February 2009, there was a shortfall in the 2009/10 savings target of £76,430. Members requested that the 2009/10 Forward Plan bids of £222,500 were reviewed and at the February Executive, officers reported a reduction in Forward Plan Bids of £22,000, leaving a unidentified savings target of £54,430.
- 3.9 At the February Executive Members recommended for approval savings options of £68,380, which was £13,950 more than the remaining target. These additional savings have been included in the General Fund estimates in Appendix A . These additional savings reduce the use of General Fund balances from £1,816,919,

contained within the February Executive report to £1,802,969.

4 REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

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 Strategic Director (Resources) and Head of Finance provided the Scrutiny Overview Committee with a detailed briefing on the Budget on 29 January 2009.

In Summary:

- The Budget has developed since July 2008 when an updated Medium Term Financial Strategy (MTFS) with Savings & Growth targets were agreed by Members. Subsequent to the production of the July MTFS further budget pressures have arisen, as a result of the current economic climate. The Council has experienced income losses e.g. planning, land charges and investment income and increased utility costs which have added over a £1,000,000 of additional pressures, resulting in future years savings target.
- A range of Savings Options and Budget pressures were presented to Members in December 2008 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 updated MTFS incorporating the draft General Fund Budget was presented to Members in January 2009 and covered the following:-
 - 2008/09 pressures that have been identified as part of the quarterly monitoring process and other variances that have arisen since the second quarterly monitoring report to Members in November to compile the 2008/09 probable estimates and the 2009/10 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
- 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 ;-
 1. Assumptions contained in the MTFS
 2. Resource Allocation to stated priorities
 3. Risk analysis against budgets in light of economic conditions
 4. 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.

4.1.3 The main issues raised by the Scrutiny Overview Strategic Topic Group can be summarised as follows:

- The Topic Group considered the General Fund Budget and Housing Revenue Account and discussed with Officers the budgetary pressures that the economic climate was placing on the Council. Members considered in some detail the Medium Term Financial Strategy, Savings and Growth Options, further SMB savings and briefly considered the 2008/09 quarters one and two Key Variances.
- Medium Term Financial Strategy - The Topic Group were impressed with the level of attention that Officers had given and were continuing to give to the Medium Term Financial Strategy, which was frequently updated. The Topic Group were assured to hear that a risk analysis on the level of General Fund reserves required. Members supported the assumptions Officers had made and were content that based on this the Council would set a prudent budget erring on the side of caution, planning for the worst case in the medium term, given the volatility and unpredictability of markets, examples being areas like high utility prices and low income from investments.
- Savings and Growth Options - Members had all been briefed previously in detail on Savings and Growth Options, so the Topic Group agreed with the figures as presented.
- 2008/09 Quarters One and Two Key Variances - The Chair welcomed the ongoing quarterly budget monitoring that has been introduced and would consider significant under or over spends at the Scrutiny Overview Committee when this report was next presented.

The Scrutiny Overview Committee was content the 2008/09 General Fund Budget, as presented, be referred back to Executive for recommendation on to Council.

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 financial year.
- 4.2.2 Central government has provisionally set the 2009/10 rate levy at 48.5p in the £, an increase of 5% over the 2008/09 levy of 46.2p. The 2009/10 small business rate relief is provisionally £48.1p in the £, an increase of 5% over the 2008/09 level of £45.8p.
- 4.2.3 The Council was represented at this years Chamber of Commerce Business Breakfast on 13 February 2009 by the Leader and Executive portfolio holder for Economy, Enterprise and Transport, with the Strategic Director (Resources) and Local Taxation staff. This gave the Council an opportunity to discuss the Council's financial position and plans for the forthcoming year with both businesses based in the town and those that undertake business within the town. As anticipated, the main topic of conversation related to the impact of the economic recession.

Businesses were keen to understand what assistance exists to :

- help them save money e.g. health checks and improving energy efficiency;
- help them with their finances e.g. being given more time to pay their tax liabilities, accessing financial support and grants on offer;
- help them improve staff productivity e.g. support for training and skills development.

In response, the Strategic Director (Resources) will now discuss these requests further with Council officers and our partners and then meet with Chamber of Commerce representatives to outline a package of support that can be offered.

5 GENERAL FUND BUDGET 2009/10

5.1 General

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

5.2 B/F at 1st April 2008

Budgets totalling £70,970 were approved for carry forward into the 2008/09 General Fund at the June Council, as part of the closure of accounts process. A further £119,000 of carry forwards were approved for inclusion in the 2009/10 General Fund as part of the quarterly monitoring process. This figure was revised to £50,000 at the December draft General Fund budget report, however following a review of these, only £19,000 is required to be carry forward into 2009/10 and is contained with the budgets in Appendix A.

5.3 Budget Savings

5.3.1 The total savings identified for 2009/10 are £2,092,200, of which £1,566,320 are efficiency savings (Appendix D), £508,380 are service reductions (Appendix E) and £17,500 are income increases (Appendix E). The savings are also incorporated in the budget schedules in Appendix A.

5.3.2 Efficiency Savings

Our approach to the planning and management of our resources is guided and underpinned by three core principles:

- Targeting and aligning our revenue and capital resources to priorities;
- Maximising the value of our resources and assets; and
- A strong commitment to delivering value-for-money and efficiency for our community.

The continuing identification of efficiencies and other savings through the introduction of new ways of working and new service delivery solutions and innovation is fundamental to the Council's future success and viability. Our medium-term service and financial planning strategy has, as one of its key elements, annual targets for efficiencies and savings, income targets and ensuring the delivery of value-for-money for local people.

There are two broad strands to our strategy.

(i) Corporate Service & Financial Planning Process

The core process through which the Council has taken forward its commitment to achieving both greater efficiency and improved performance is its Service & Financial Planning Framework. This links together Community/Corporate Strategy and Priorities with Portfolio and Business Plans through to individual Personal Development Plans. It brings together a broad strategic assessment of local community needs, national policy priorities and performance information on our services alongside the revenue and capital resources that are available to us. Budgets undergo regular review to identify potential efficiencies and savings to ensure that our organisation constantly make best use of all resources - money, people, buildings, systems and equipment - to maximise operational performance, and targets are set annually.

Clearly in a context of limited resources, decisions have to be made as to where investments are to be prioritised and where savings will/can be made. In looking at efficiencies and savings, proposals have been risk-assessed against a set of corporate criteria to ensure minimal negative impact on:

- Customers/front-line service delivery
- The Council's key Strategic Risks
- Overall quality of services as assessed through CAA
- Employees

(ii) Corporate Efficiency Strategy & Focuses for Action

In addition, we have identified a number of specific corporate focuses for action through which operational efficiency can be improved:

- Procurement - both in terms of undertaking procurement processes more efficiently e.g. e-procurement, and in taking a strategic look at how services are organised and delivered;
- Using ICT to both improve customer services and maximise efficiency - Our corporate 'Business Transformation' programme will radically re-engineer systems and processes to generate efficiency savings and enhance customer service;
- Creating a workforce of the Future - Our developing Human Resources improvement programme will be examining working practices and terms and conditions of service to improve organisational performance and efficiency;
- Review and rationalisation of Council assets and buildings - Exploring opportunities for co-location of services, review current operational buildings and better realise the potential of our assets;
- Invest to Save Initiatives - We are establishing a corporate fund to pump-prime key development initiatives that will result in significant efficiency 'pay-back'.

5.3.3 The Council has been successful over the last three years in delivering savings and efficiencies to ensure that a prudent General Fund budget has been set in increasingly challenging economic times. This has been coupled with only modest increases in Government funding, while at the same time seeking to minimise the

impact on the Council tax payer. The table below shows the savings achieved since 2007/08.

Savings and Efficiencies	2007/08	2008/09	2009/10
2007/08 Savings	1,000,959	893,959	898,959
2008/09 Savings	191,570	1,043,670	1,308,383
2009/10 Savings (recommended)	0	265,040	2,092,200
Savings and Efficiencies*	1,192,529	2,202,669	4,299,542

** Savings and efficiencies totals shown in the 2008/09 column relate to savings approved for as part of the budget setting process for 2007/08 and 2008/09. Savings and efficiencies totals shown in the 2009/10 column relate to savings approved for as part of the budget setting process for 2007/08, 2008/09 and 2009/10.*

The Council previously had to submit an Annual Efficiency Statement which for 2005/06 to 2007/08 reported total efficiency gains of £2,293,028 of which £2,195,078 were cashable. The definition of efficiencies is slightly different to the savings identified in the table above.

From 2009/10 the Government will now require billing authorities to supply specific efficiency information to council taxpayers on and/or alongside their council tax bill. Preparations are nearing completion with our IT provider, and the following summary information has been confirmed by the DCLG for inclusion on the bills:

5.4 Revenue Growth

The December Executive approved a range of forward plan bids totalling £222,500 for inclusion in the Council's Budget for 2009/10. The forward plan bids have been reviewed as requested by the January Executive and in consultation with officers have been reduced by £22,000. The forward plan bids of £200,500 have now been incorporated into the budget schedules in Appendix A and are summarised in Appendix F.

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):

	2008/09 Estimate £	2008/09 Probable £	2009/10 Estimate £
Community Services	6,404,240	6,180,760	5,858,560
Housing Services	2,074,850	2,233,880	1,981,230
Environmental Services	11,897,380	11,549,440	11,808,060
Areas Committees	339,720	363,690	317,570
Resources	(4,636,340)	(4,638,920)	(4,455,760)
Trading Accounts*	(333,130)	(53,290)	(17,160)
Transitional Negative subsidy	(734,300)	(734,300)	(367,150)
Net Expenditure	15,012,420	14,901,260	15,125,350

**Trading accounts for refuse, recycling, cleansing and grounds maintenance have been recharged at cost to the client accounts for 2009/10.*

5.5.2 The Final Budget proposals reflect the inclusion of all the savings and forward plan bids and the General Fund budget of £15,125,350 is £13,950 lower than that reported at the February Executive. The 2008/09 probable budget includes an assumption of £210,000 savings to be found in the current year.

5.6 Balances & Reserves

5.6.1 At the January Executive a risk assessment was undertaken to determine the level of balances required in 2009/10 (both General Fund and Earmarked reserves). The risk assessment identified that balances of £1,534,000 was required. The draft budgets (Appendix A) show projected General Fund balances of £1,623,764, which is £89,764 higher than the risk analysis. Therefore 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 2009 are estimated to be £3,500,653 (after use of General Fund balances of £1,953,530 and Earmarked reserves of £131,070). Total balances and reserves as at 1 April 2010 are estimated to be £1,623,764 (after use of General Fund balances of £1,802,969 and earmarked reserves of £73,920). These levels of balances are 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 26 November, 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 £7,813,954, an increase over 2008/09 of 0.5%, (£38,876).
- 5.7.2 The final settlement was approved in Parliament on 21 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. The County Council and the Police Authority will be setting their precepts on the 24 and 20 February respectively.

5.8 Council Tax

- 5.8.1 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 2009/10 position assuming for consultation purposes a Council Tax increase of 4.9% and estimated Collection Fund surpluses. The Council Tax Base was finalised at the Executive meeting on 21 January 2009 and the projected Council Tax Position for 2009/10 is shown in the table below:

	2008/09 Estimate £	2008/09 Probable £	2009/10 Estimate £
Net Expenditure	15,012,420	14,901,260	15,125,350
Use of Balances	(2,064,690)	(1,953,530)	(1,802,969)
Budget Requirements	12,947,730	12,947,730	13,322,381
Total Government Support	(7,775,078)	(7,775,078)	(7,813,954)
Total Expenditure to be funded from Council Tax	5,172,652	5,172,652	5,508,427
Collection Fund Surplus	(51,508)	(51,508)	(84,000)
Council Tax Requirement	5,121,144	5,121,144	5,424,427
Council Tax Base	28,225.00	28,225	28,488
Council Tax (Band D)	181.44	181.44	190.41
Council Tax (Band C)	161.28	161.28	169.25

- 5.8.2 A one percept or a half percent decrease in Council Tax equates to £52,169 or £26,085 of Council Tax income foregone and would require an additional call on General Fund balances. Reducing the Council Tax increase below that projected in the MTFs has a knock on effect for future years projected Council Tax income streams.

5.9 Contingency Sums

The Executive will recall 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 Full 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 £400,000 was agreed as part of the 2008/09 budget setting process, this remains unchanged for 2009/10.

BACKGROUND PAPERS

- Finance Settlement Notifications

APPENDICES

- Appendix A - 2008/09 Probable & 2009/10 Estimates General Fund Budget
- Appendix B - Draft Council Tax Resolution
- Appendix C - Robustness of the Draft Budget and Adequacy of Reserves
- Appendix D -Cashable Efficiency savings
- Appendix E - Service Reductions and Income Savings Options
- Appendix F- Forward Plan Bids