

Meeting: Executive

Portfolio Area: Resources

Date: 10 February 2010

Agenda Item:

5

GENERAL FUND BUDGET 2010/11

KEY DECISION

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1. PURPOSE

- 1.1 To consider the Council Tax and General Fund Budget 2010/11 for recommendation to Council following the Budget consultation process.

2. RECOMMENDATIONS

- 2.1 That consideration be given to the comments of the Scrutiny Overview Committee on the draft General Fund Budget proposals reported in January as set out at section 2.2 below.
- 2.2 That the following proposals be recommended to Council on 24 February 2010 -
 - a) That the Budget summarised at Appendix A to this report, be the Council's General Fund Budget for 2009/10 and 2010/11. A further update on the 2009/10 budgets will be given at the March Executive as part of the quarterly monitoring process.
 - b) That approval be given to a General Fund Budget Requirement for 2010/11 of £13,292,790 return to balances of £215,015 and a Band D Council Tax of £192.29 (assuming a 2.0% increase), as reflected in the draft Council Tax Resolution at Appendix B to the report.
 - c) That approval be given to a General Fund Revenue Account Contingency Sum in the Budget and Policy Framework for 2010/11 of £400,000.
 - d) That the advice of the Strategic Director (Resources) on the robustness of the draft budget and the adequacy of reserves (Appendix C) be noted.
 - e) That the Fees and Charges increases (Appendix F) be noted.
- 2.3 That it be noted that Council may, at its discretion, agree to vary the budget, in the course of its considerations.
- 2.4 That it be noted that the General Fund Medium Term Financial Strategy remains largely unchanged from that reported to the meeting of the Executive held on 20 January 2010.

3. BACKGROUND

- 3.1 In July 2009, the Executive approved the reformed Medium Term Financial Strategy (MTFS), which if achieved, would deliver a sustainable financial strategy, a balanced annual budget by 2010/11 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, Senior Management Board met with the Executive Portfolio Holders to consider in detail a set of savings and budget proposals and

Forward Plan bids. The November Executive approved the range of saving and budget proposals and revenue Forward Plan items to be included in the 2010/11 Budget. Members approved the savings and budget proposals for immediate implementation, so that a full year saving can be achieved in 2010/11.

- 3.3 In January the Executive considered a report on the draft General Fund Budget 2010/11 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 2010/11 Budget process.
- 3.4 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.
- 3.5 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.

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) gave the Topic Group a presentation on the Council's financial position now and in the future which provided Members with the context and some background information as to the setting of this years budget.

In Summary:

- For the last four years the Council has been working on a programme with both Officers and Members to reduce the amount of funding that it used from its balances. Last year Members had made difficult decisions to withdraw from discretionary areas it had historically funded. But the ongoing reduction in Council revenue streams meant that further prioritisation of funding needed to be made.
 - The onset of the recession in 2008 meant that even with the year on year savings agreed in the savings options the Council needed to take further action to present a balanced budget with reduced income streams from land sales and fees and charges.
 - The impact of inflation on the MTFs, inflation is projected to be low in 2010/11 which means budget savings can be used to reduce net expenditure, rather than to greater extend fund inflationary increase for pay and contracts etc.
- 4.1.3 The Scrutiny Committee discussed the impact on the General Fund of:
 - Increase in Benefit claimant caseload and why there was a gap between subsidy and expenditure.
 - Cost of Energy Management and the fluctuations in utility prices and the contractual arrangements the Council has.
 - The reduction in income on the Council's business technology centre and why this had happened, what action had been taken to mitigate this.
 - What had been done to improve the income performance on the indoor market.
 - The impact of no pay award, which would be £190,000 for 2010/11.

- The implications on the General Fund if the Government decided to reallocate Concessionary Fares to County Councils in two tier areas.

The Scrutiny Overview Committee was content the 2009/10 and 2010/11 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 2010/11 rate levy at 41.4p in the £, a decrease of 15% over the 2009/10 levy of 48.5p. The 2010/11 small business rate relief is provisionally £40.7p in the £, a decrease of 15% over the 2009/10 level of £48.1p. The decrease is a result of lower valuations and negative inflation.
- 4.2.3 A meeting has been arranged between officers and Members of the Council, Hertfordshire Chamber of Commerce, representatives from the local business community and other organisations. The meeting will be held in February and a verbal report will be given on the outcome of this consultation at Council, if requested.

5. IMPLICATIONS

5.1 General

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

5.2 Brought Forward at 1st April 2009

Budgets totalling £198,330 were approved for carry forward into the 2009/10 General Fund, as part of the closure and quarterly monitoring process. No carry forwards have been requested for 2010/11 at this stage.

5.3 Budget Savings

- 5.3.1 The November Executive approved savings and budget proposals of £1,628,184 for inclusion in the 2010/11 Council's General Fund budget. These savings have been reviewed and the revised savings total is £1,565,970, together with a further £197,200 of base adjustments totalling £1,763,170, reported at the January Executive. These savings and budget proposals have been incorporated in the budget summary in Appendix A.

5.3.2 Savings and Budget Proposals

The approach to 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.

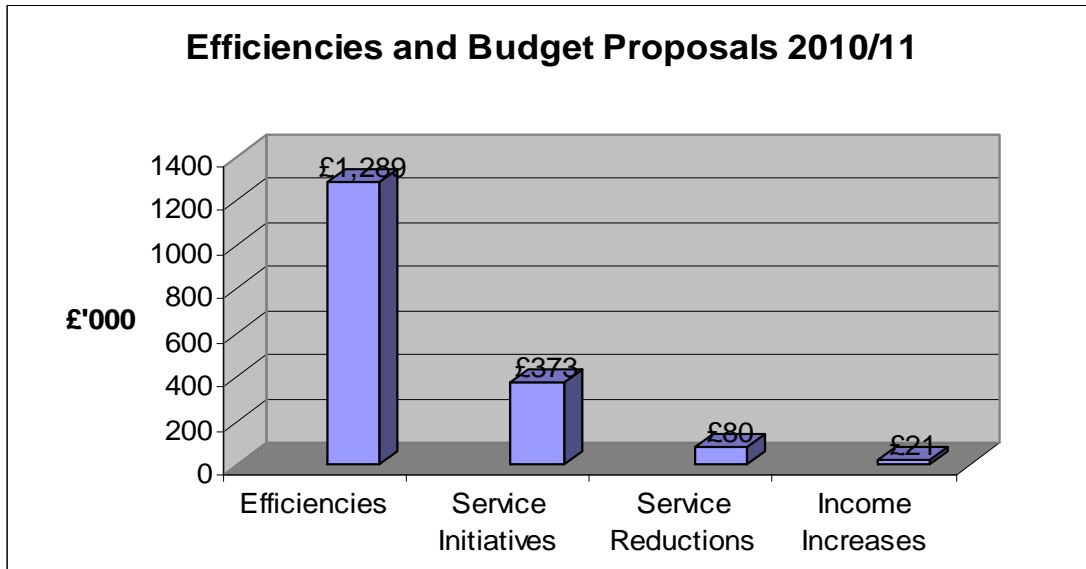
The Council has continued to target resources to high priority areas through the achievement of efficiency savings. These are achieved through improved ways of working and innovations in service. This means the continued delivery of value-for-money services for local people.

- 5.3.3 The 2010/11 Financial Planning process delivered a balanced budget by:

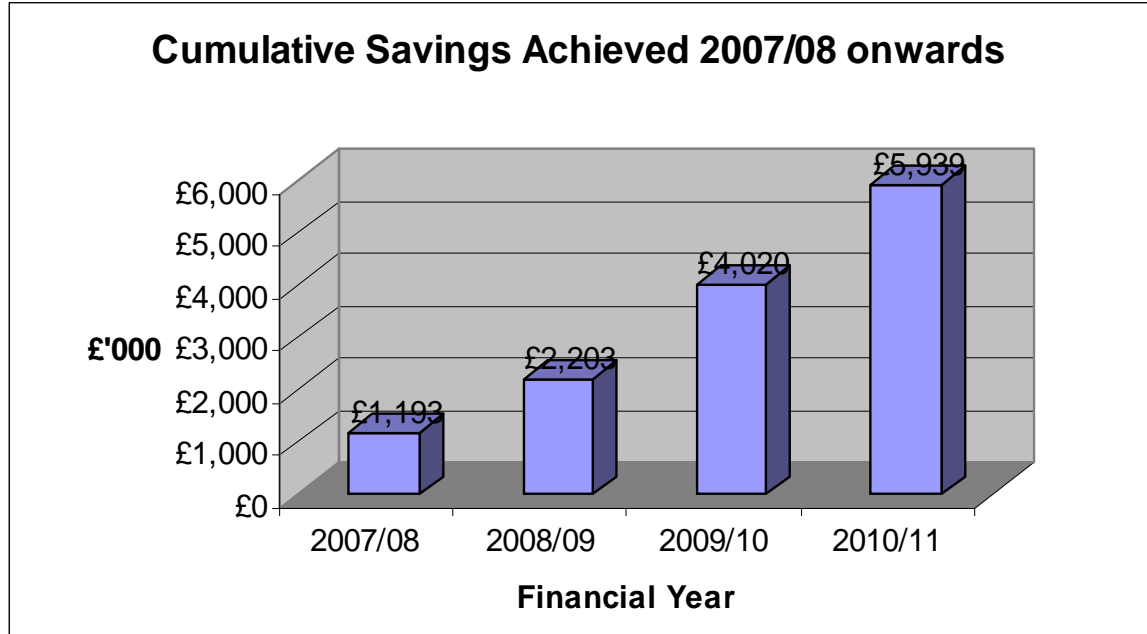
- Targeting savings in back office services (Member Priority).
- Reviewing the subsidy on services and who should pay and at what price in line with capital investment in the service and comparative charges with other neighbouring authorities.

- Budget Proposals to deliver improvements in Council services.

The outcome is summarised in the graph below and detailed in Appendix D and E:



5.3.4 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 graph below shows the savings achieved since 2007/08.



From 2009/10 the Government required billing authorities to supply specific efficiency information to council taxpayers on and/or alongside their council tax bill, which will reflect the achievements above.

5.4 Revenue Growth

The November Executive approved a range of growth items totalling £58,000 (Appendix F) for inclusion in the Council's Budget for 2010/11. The growth items have now been incorporated into the budget summary in Appendix A.

5.5 Summary

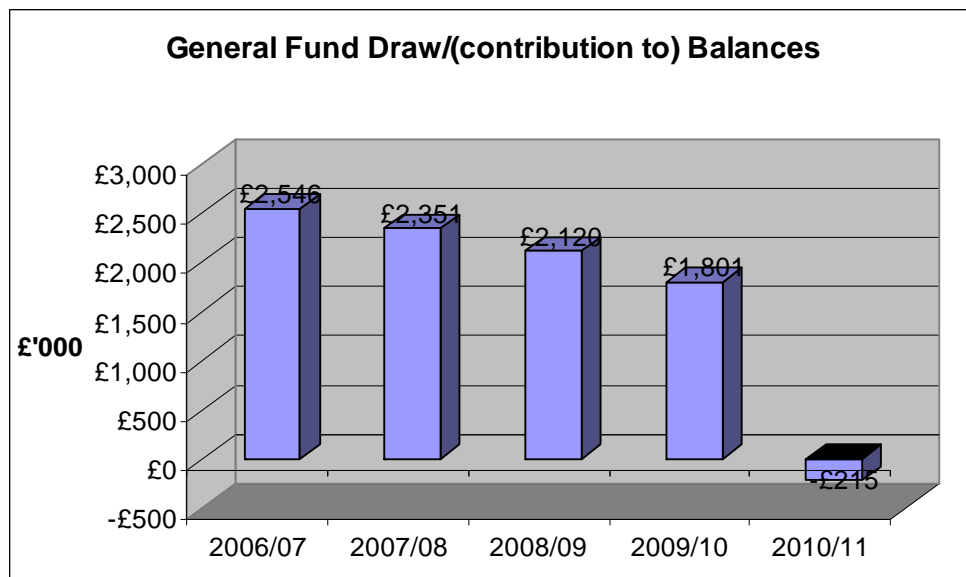
- 5.5.1 The net totals by portfolio area are as follows, (for comparison purposes in the summary below, the transfer of negative housing subsidy from the HRA under the transitional arrangements has been excluded from the Housing portfolio in which it appears in the detailed figures):

	2009/10 Estimate £	2009/10 Working £	2010/11 Estimate £
Community Services	5,858,560	5,965,280	5,271,230
Housing Services	1,981,230	1,351,380	1,736,180
Environmental Services	11,770,460	11,029,510	9,280,990
Areas Committees	317,570	337,770	244,100
Resources	(4,470,660)	(3,100,120)	(3,221,720)
Trading Accounts*	(17,160)	(146,950)	(17,990)
Transitional Negative subsidy	(367,150)	(367,150)	0
Net Expenditure	15,072,850	15,069,720	13,292,790

*Trading accounts for refuse, recycling, cleansing and grounds maintenance have been recharged at cost to the client accounts for 2010/11.

5.6 Balances & Reserves

- 5.6.1 At the January Executive a risk assessment was undertaken to determine the level of balances required in 2010/11 (both General Fund and Earmarked reserves). The risk assessment identified that balances of £1,444,832 was required. The draft budgets (Appendix A) show projected General Fund balances of £1,609,436, which is £164,604 higher than the risk analysis. Therefore all balances, reserves are considered to be adequate to meet annual deficits.
- 5.6.2 Total available balances and reserves as at 1st April 2010 are estimated to be £1,501,421 (after use of General Fund balances of £1,801,384 and use of Earmarked reserves of £42,028). Total balances and reserves as at 1 April 2011 are estimated to be £1,609,436 (after a contribution to balances of £215,015 and use of earmarked reserves of £107,000). 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 Council has used General Fund balances to support in year expenditure, the MTFs recognised this as unsustainable and has over the last few years identified and achieved savings to allow for a net contribution to balances. This has been achieved despite the Council's income budgets being eroded as a result of the recession, the reduction in transitional negative subsidy (2009/10 being the last year) and maintaining a low council tax increase. The graph below shows the successful transition from the net draw on balances to a net contribution to balances.



5.6.4 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.

5.6.5 There is an annual savings target for the General Fund, however the target of £800,000 is considered to be achievable to allow the Council to redirect resources into high priority services.

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 £7,853,024, an increase over 2009/10 of 0.5% (£39,070).

5.7.2 The final settlement was approved in Parliament on 20 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 23 February.

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 2010/11 position assuming for consultation purposes a Council Tax increase of 2.0% and estimated Collection Fund surpluses. The Council Tax Base was finalised at the Executive meeting on 20 January 2010 and the projected Council Tax Position for 2010/11 is shown in the table below:

	2009/10 Estimate £	2009/10 Working £	2010/11 Estimate £
Net Expenditure	15,072,850	15,069,720	13,292,790
(Use of) /contribution to Balances	(1,804,514)	(1,801,384)	215,015
Budget Requirements	13,268,336	13,268,336	13,507,805
Total Government Support	(7,813,954)	(7,813,954)	(7,853,024)
Total Expenditure to be funded from Council Tax	5,454,382	5,454,382	5,654,781
Collection Fund Surplus	(84,000)	(84,000)	(161,000)
Council Tax Requirement	5,370,382	5,370,382	5,493,781
Council Tax Base	28,488	28,488	28,571
Council Tax (Band D)	188.52	188.52	192.29
Council Tax (Band C)	167.57	167.57	170.92

5.8.2 A one percent decrease in Council Tax equates to £53,861 of Council Tax income foregone and would require a call on General Fund balances. Reducing the Council Tax increase below that projected in the MTF5 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 2009/10 budget setting process, it is proposed that this remains unchanged for 2010/11.

6. BACKGROUND DOCUMENTS

- Finance Settlement Notifications

7. APPENDICES

- Appendix A - 2009/10 working & 2010/11 Summary General Fund Budget
- Appendix B - Draft Council Tax Resolution
- Appendix C - Robustness of the Draft Budget and Adequacy of Reserves
- Appendix D – Efficiency Savings 2010/11
- Appendix E- Other Savings Proposals 2010/11
- Appendix F- Forward Plan Bids 2010/11
- Appendix G - Fees and Charges 2010/11