

**Meeting:** COUNCIL

Portfolio Area: Resources

**Agenda Item:**

**6**

**Date:** 23 FEBRUARY 2011

## **2011/2012 COUNCIL TAX AND GENERAL FUND BUDGET**

### **KEY DECISION**

Author – Clare Fletcher Ext 2933

Lead Officer – Scott Crudgington Ext 2185

Contact Officer – Clare Fletcher Ext 2933

#### **1. PURPOSE**

- 1.1 To consider the Council Tax and General Fund Budget 2011/12 for recommendation to Council following the Budget consultation process.

#### **2. RECOMMENDATIONS**

- 2.1 That the Budget summarised at Appendix A to this report, be the Council's General Fund Budget for 2010/11 and 2011/12. A further update on the 2010/11 budgets will be given at the March Executive as part of the quarterly monitoring process.
- 2.2 That approval be given to a General Fund Budget Requirement for 2011/12 of £10,744,400, a return to balances of £105,693 and a Band D Council Tax of £188.52 (assuming a 0.0% increase), as reflected in the formal Council Tax Resolution at Appendix B to the report.
- 2.3 That approval be given to a General Fund Revenue Account Contingency Sum in the Budget and Policy Framework for 2011/12 of £400,000.
- 2.4 That the advice of the Strategic Director (Resources) on the robustness of the draft budget and the adequacy of reserves (Appendix C) be noted.
- 2.5 That the Fees and Charges increases (Appendix F) be noted.
- 2.6 That the consultation feedback and mitigation strategies summarised in Appendix H be noted, and that Council should have due regard to the Equalities Impact Assessment issues set out in Appendix G.
- 2.7 That it be noted that Council may, at its discretion, agree to vary the budget, in the course of its considerations.
- 2.8 That it be noted that both the Labour Group and the Conservative Group have indicated that their Members will voluntarily forego at least 5% of their individual Basic and Special Responsibility Allowances for 2011/2012 and that mileage allowance will not be claimed for Council business within the Borough boundary

- 2.9 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 19 January 2011 and continues to meet the financial objectives set by the Chief Finance Officer.

### **3. BACKGROUND**

- 3.1 In July 2010, the Executive approved a revised Medium Term Financial Strategy, which assumed a reduction in Government Support of 10% in 2011/12 and a further 5% for the following three years. The reduction in grant combined with other General Fund pressures meant a £3.1million savings target was required over the next three years, to 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, Strategic 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 2011/12 Budget.
- 3.3 In January the Executive considered a report on the draft General Fund Budget 2011/12 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 2011/12 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 Consideration of the Budget is a matter for Council and a recommendation contained within in the front of the 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 appointed a Strategic Topic Group to consider the budget proposals at its meeting on the 31 January 2011. The Group received a presentation from the Strategic Director (Resources) 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 year's budget.

- 4.1.1 The Topic Group commented that:

- The Executive and Officers had managed to prepare a budget in anticipation of the Comprehensive Spending Review and the Government Grant Settlement that was broadly in line with the reduced funding from central government.
  - The settlement had been more severe than the Council were originally anticipating, having prepared for a 25% reduction over 4 years, when in actuality was 28% and front loaded in the first two years.
  - There were a large number of uncertainties surrounding the economic climate that the budget was being set in this year such as inflationary pressures, rise in VAT and the implementation of Single Status.
- 4.1.2 Officers stated that there would be close monitoring of the budget delivery throughout the coming year, including quarterly monitoring and an Executive Member/Officer group which will be meeting regularly to monitor the progress of the implementation of the budget savings.
- 4.1.3 Members congratulated Officers on their budget forecasting and in shaping the draft General Fund Budget in anticipation of the Government grant settlement. The Council's General Fund Budget would front load savings into 2011/12 and put the Council's finances inline with the Government's grant settlement for the next two years.

## **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 formally set the 2011/12 rate levy at 43.3p in the £, an increase of 4.6% over the 2010/11 levy of 41.4p. The 2011/12 small business rate relief is provisionally £42.6p in the £, an increase of 4.7% over the 2010/11 level of £40.7p.
- 4.2.3 A letter has been sent to the Hertfordshire Chamber of Commerce outlining the changes to the business rates for 2011/12.

## **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 2011**

No carry forwards have been requested for 2011/12 during the budget setting process. Members will be updated with any new requests in the 3<sup>rd</sup> Quarter Monitoring Report to the March Executive.

### 5.3 Budget Savings

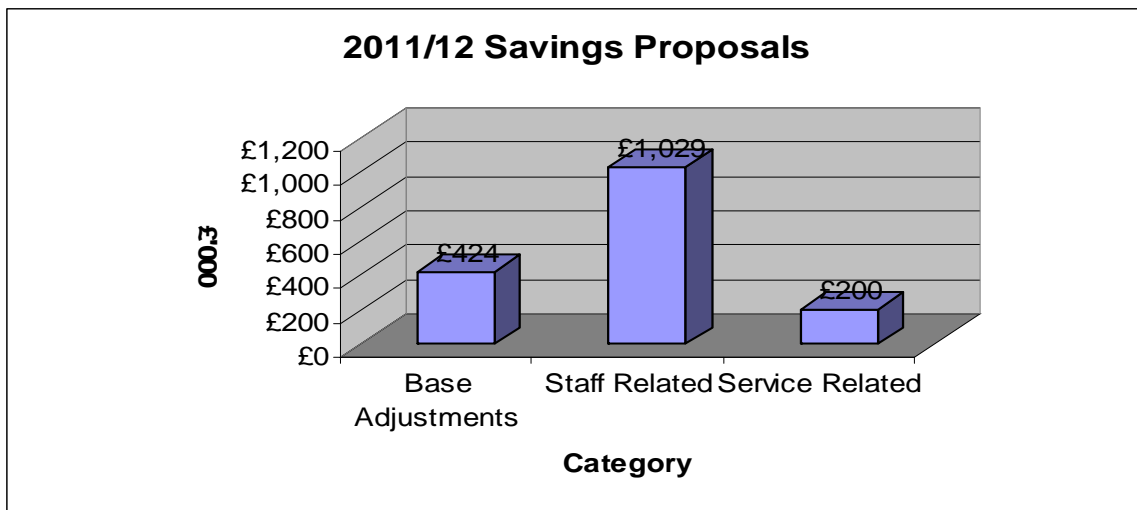
5.3.1 The January Executive approved a revised savings proposals of £1,651,960 for inclusion in the 2011/12 Council's General Fund budget. These savings have been reviewed and the revised savings total is now £1,652,960 as a result of proposals agreed at the February Executive. These savings and budget proposals have been incorporated in the budget summary in Appendix A.

5.3.2 **Savings Proposals** - In setting the Council's budget Members and officers have always:

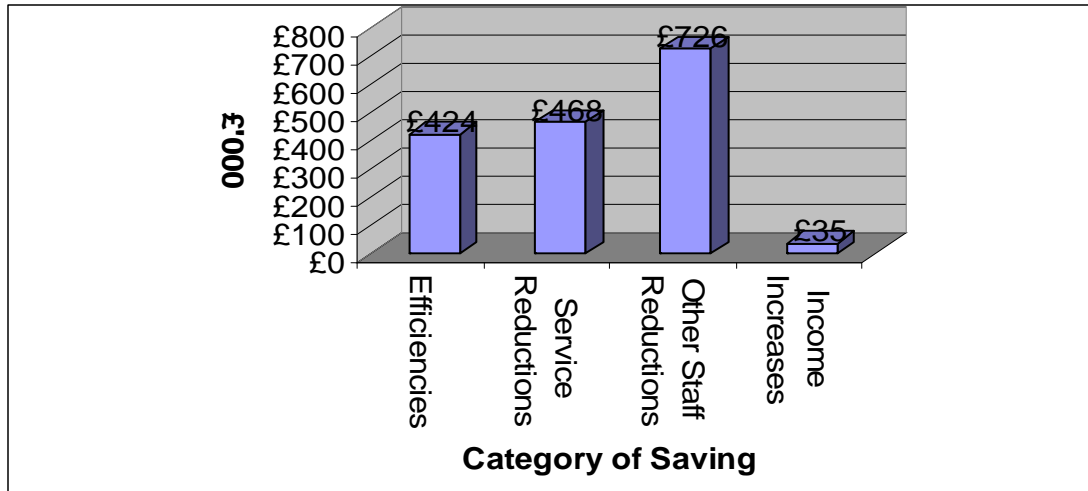
- Targeted and aligned revenue and capital resources to priorities;
- Maximised the value of resources and assets; and
- Had a strong commitment to delivering value-for-money and efficiency for the community.

However, the level of government grant reduction (14.59% provisional, 14.17% final), combined with rising inflation and lower fees and charges has meant that the budget gap between expenditure and resources cannot be bridged alone by efficiencies, and service cuts have been necessary for the next financial year, 2011/12. The Council remains committed to targeting resources to high priority areas, but this may not be achieved in the current parliament through efficiencies alone. The Council is committed to the 'Working together' programme as a means of improving ways of working with other organisations and innovations in service and anticipates this will deliver future efficiencies while continued delivery of value-for-money services for local people.

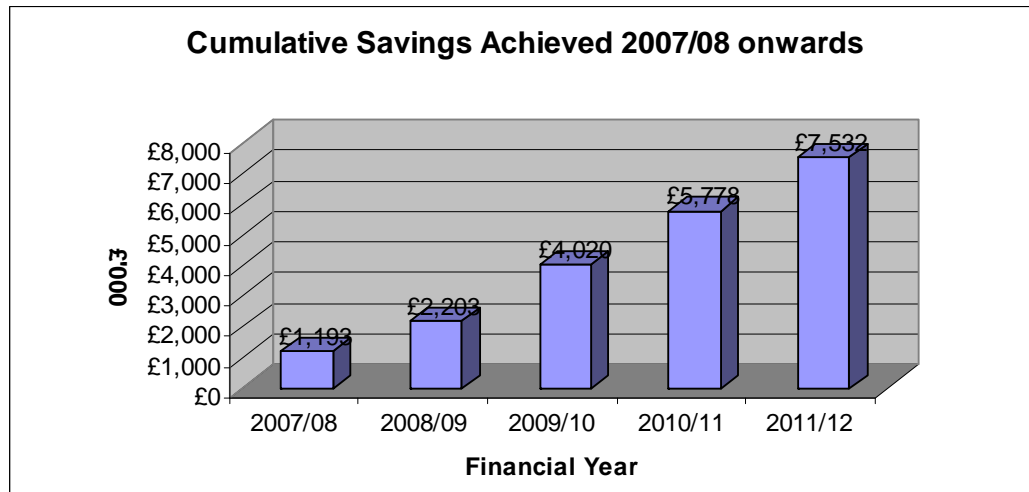
5.3.3 The 2011/12 Financial Planning process delivered 2011/12 savings of £1,652,960, of which 62% were associated with changes to staffing as detailed in the chart below:



5.3.4 The savings have been categorised into efficiencies, staff reduction, service reductions and income increases as summarised in the chart below and detailed in Appendix D.



5.3.5 The Council has been successful over the last few years in delivering savings and efficiencies to ensure that a prudent General Fund budget has been set in challenging economic times. This has been coupled with a reduction in Government funding, while at the same time seeking to minimise the impact on the Council tax payer. The chart below shows the savings achieved since 2007/08.



- 5.3.6 Savings are subject to consultation, however If proposed savings are not achieved as a result of that consultation, alternative savings of an equivalent value will need to be identified and implemented in 2011/12 to maintain a prudent level of General Fund balances.
- 5.3.7 The consultation process carried out during the budget setting process identified that the majority of responses related to the proposal to only open the museum three days a week. As a result of consulting with both the Public and staff a revised proposal to open the museum four days a week is currently being considered. The results of all the consultation feedback and mitigation strategies are attached at Appendix H.

## 5.4 Revenue Growth

The November Executive approved a range of growth items totalling £39,560 (Appendix E) for inclusion in the Council's Budget for 2010/11. A further growth item of £75,000 to establish an ICT reserve was agreed at the January Executive. Growth items of £114,560 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:

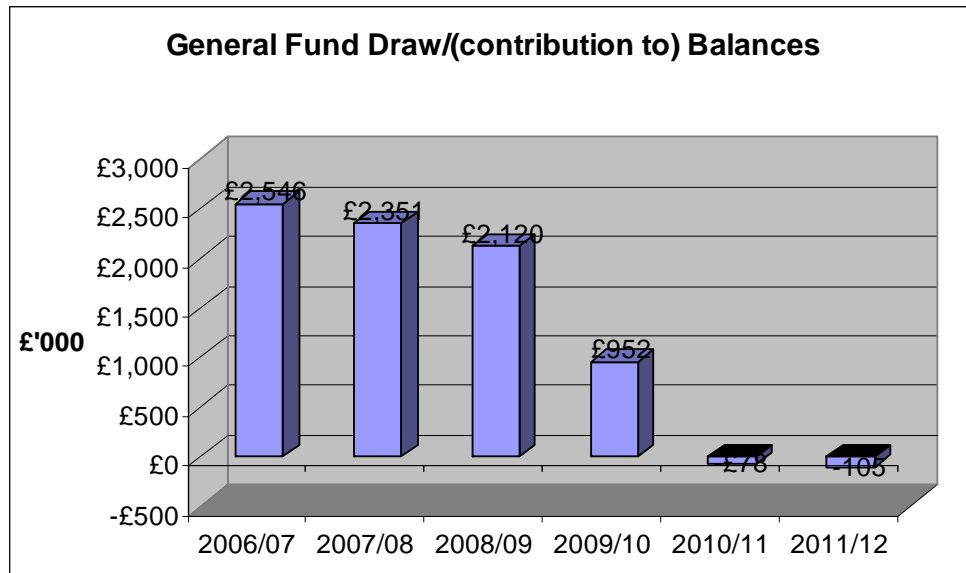
	<b>Original Budget 2010/11 £</b>	<b>Working Budget 2010/11 £</b>	<b>Original Budget 2011/12 £</b>
Community Services	5,271,230	5,417,160	5,147,310
Housing Services	1,736,180	1,583,230	1,976,700
Environmental Services	9,280,970	9,106,850	6,896,480
Areas Committees	244,100	244,570	212,800
Resources	(3,221,720)	(2,684,140)	(3,506,020)
Trading Accounts	(17,970)	(346,070)	17,130
<b>Net General Fund Expenditure</b>	<b>13,292,790</b>	<b>13,321,600</b>	<b>10,744,400*</b>

*\* 2011/12 Concessionary fares budget of £1,592,450 has transferred to the County Council*

## 5.6 Balances & Reserves

- 5.6.1 At the January Executive a risk assessment was undertaken to determine the level of balances required in 2011/12. The risk assessment identified that balances of at least £1,676,676 were required, although the Council has identified a minimum level of balances of £2,000,000 whilst the level of uncertainty around further Government Grant funding remains high. Furthermore there needs to be a sufficient level of General Fund balances to allow for any delay in the implementation of savings options. The draft budgets (Appendix A) show projected General Fund balances of £2,138,441, which is £461,765 higher than the risk analysis and £138,441 higher than the minimum £2,000,000. Therefore the General Fund balances, reserves are considered to be adequate to meet annual deficits. Any increase in General Fund balances can be used to reduce the 2012/13 savings target of £750,000.

- 5.6.2 Total balances and reserves as at 1 April 2011 are estimated to be £2,752,021, this includes earmarked reserves of £613,580 which are ring fenced for known expenditure, e.g. single status implementation. This level of balances is 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 Prior to setting the 2010/11 budget, 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 was achieved for the 2010/11 original budget, despite the net one off costs of achieving the 2011/12 savings there is still a contribution to balances of £78,484 in 2010/11. The budget set for 2011/12 also achieves a net contribution to balances. The graph below shows the successful transition from the net draw on balances to a net contribution to balances.



- 5.6.4 The Council also holds earmarked reserves which are ring fenced for specific revenue expenditure requirements. These reserves are reviewed quarterly and a number of funds returned to the General Fund balances in 2010/11. A new reserve relating to ICT expenditure has been requested for approval as part of the 2011/12 growth bids. A summary of the projections on the remaining earmarked reserves are shown below.

Earmarked Reserve	Balance				
	01/04/2010 £	Contributions/ Spend in Year £	31/03/2011 £	Contributions / Spend in Year £	31/03/2012 £
Deminimus Capital Spend	(100,000)	15,000	(85,000)	0	(85,000)
Capacity Building	(136,080)	50,000	(86,080)		(86,080)
Interest Equalisation	(294,000)	0	(294,000)	(73,500)	(372,500)
Single Status	(100,000)	50,000	(50,000)	50,000	0
Planning Delivery Reserve	(178,935)	160,730	(18,205)	18,205	0
ICT Reserve	0	0	0	(75,000)	(75,000)
Reserves returned to the General Fund	(152,365)	152,365	0		0
	<b>(961,380)</b>	<b>428,095</b>	<b>(533,285)</b>	<b>(80,295)</b>	<b>(613,580)</b>

- 5.6.5 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.
- 5.6.6 Due to the further reduction in Government Grant and the affects of inflation there remains an annual savings target for the General Fund of £750,000. Future savings targets will need to increase if the Government Grant reductions for 2013/14 onwards are higher than estimated in the Council's MTFs.

## 5.7 Exchequer Finance and Precepting Bodies

- 5.7.1 The provisional settlement figures were issued on 13 December, and a briefing note on the settlement was provided for all Members and summarised in the December Executive report. The total Revenue Support Grant (RSG) and Business Rate Income (NNDR) receivable was £5,308,405, a decrease over 2010/11 of 14.59% (£906,534), after adjustments for the Concessionary Fare service which transfers to the County Council from 1 April 2011. The final government grant settlement figure was an increase of £25,705, giving a final grant settlement figure of £5,334,110 (decrease of 14.17%), which is included in the General
- 5.7.2 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 18 and 16 February respectively.
- 5.7.3 The Final Council Tax resolution attached at Appendix B assumes a 0% increase for all three precepting bodies (Hertfordshire County Council, Hertfordshire Police Authority and Stevenage Borough Council). However notification of the respective precepts will be formally approved at each Authorities respective precept meetings and any changes will require a revised Final Council Tax resolution.

## 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. Following announcements associated with the Comprehensive Spending Review (CSR) the Government has now confirmed it will support Councils that freeze Council Tax for 2011/12 at a level equivalent to 2.5% for the next four years. However, it is not clear from the Government what, if any, support will be given for the 2011/12 freeze after the current CSR period. The summary below indicates the estimated 2011/12 position assuming for consultation purposes a Council Tax increase of 0% and estimated Collection Fund surpluses. The Council Tax Base was finalised at the Executive meeting on 19 January 2011 and the projected Council Tax Position for 2011/12 is shown in the table below:

	2010/11 Estimate £	2010/11 Working £	2011/12 Estimate £
Net Expenditure	13,292,790	13,321,600	10,744,400
(Use of) /contribution to Balances	107,294	78,484	105,693
Budget Requirements	13,400,084	13,400,084	10,850,093
Total Government	(7,853,024)	(7,853,024)	(5,334,110)



Support			
Total Expenditure to be funded from Council Tax	<b>5,547,060</b>	<b>5,547,060</b>	<b>5,515,983</b>
Collection Fund Surplus	(161,000)	(161,000)	(87,201)
Council Tax Requirement	5,386,060	5,386,060	5,428,782
Council Tax Base	28,488	28,488	
<b>Council Tax (Band D)</b>	<b>188.52</b>	<b>188.52</b>	<b>188.52</b>
<b>Council Tax (Band C)</b>	<b>167.57</b>	<b>167.57</b>	<b>167.57</b>

## 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 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 2010/11 budget setting process, it is proposed that this remains unchanged for 2011/12.

## 5.10 Equalities Impact Assessment

The Equalities Impact Assessment has been revised to combine the impact on both staff and the community and is included in Appendix G.

## BACKGROUND DOCUMENTS

- Finance Settlement Notifications

## APPENDICES

- Appendix A - 2010/11 working & 2011/12 Summary General Fund Budget
- Appendix B - Draft Council Tax Resolution
- Appendix C - Robustness of the Draft Budget and Adequacy of Reserves
- Appendix D – Savings Proposals 2011/12
- Appendix E- Forward Plan Bids 2011/12
- Appendix F - Fees and Charges 2011/12
- Appendix G – Equalities Impact assessment
- Appendix H- Summary of Budget Consultation and Mitigation Strategies