



**Report to: Cabinet**

**Subject: General Fund Revenue Budget and Service Plan 2009/10**

**Date: 19 February 2009**

**Author: Senior Management Team on behalf of the Leader**

## **1. PURPOSE OF REPORT**

- 1.1 This report presents the General Fund Revenue Budget and Service Plan for 2009/10 for approval.
- 1.2 The final Housing Revenue Account Budget 2009/10, containing post LSVT residual expenses, is also presented for approval. The Secretary of State for the Department of Communities and Local Government has given consent to close the Housing Revenue Account on 31 March 2010.

## **2. PROCESS**

- 2.1 Under the Council's constitution, the Cabinet makes its final service plan and budget proposals after consideration of the comments made by the Policy Review Scrutiny Committee in respect of the draft service plan and budget. The draft General Fund Revenue Budget and Service Plan was presented to this Scrutiny Committee on 27 January 2009 and comments made are included in paragraph 5.9.
- 2.2 Statutory consultation with business ratepayers is currently being undertaken and any responses received will be presented at the meeting.
- 2.3 The final Budget and Service Plan proposals determined by Cabinet will be considered at the Council Budget meeting on 4 March 2009. The Borough Council has a statutory responsibility to determine its Council Tax by 10 March.
- 2.4 The Council's organisational mission puts the development and delivery of a Sustainable Community Strategy at the heart of its role. In December 2008, Council (and the Gedling Partnership) agreed a new Vision and Priorities document around which a new Sustainable Community Strategy is being finalised. The priorities set out in that document incorporate

priorities set out in the Borough Council's Strategic Corporate Plan agreed in Summer 2008. Given the pivotal role of the Sustainable Community Strategy, and the strong alignment between priorities expressed in that document and those set out in the Strategic Corporate Plan, this budget and service plan has been developed around the new Sustainable Community Strategy priorities which are now seen as the overall priorities for the Borough, with the addition of a further priority theme, "Transforming Gedling", to reflect the Council's Transformation Programme and related organisational improvement.

### **3. BACKGROUND**

#### **3.1 The Council's Priorities**

Priority setting is important for local authorities as it demonstrates direction, targets future investment, and allows for future successes to be assessed. As outlined above, the priorities that underpin the new Gedling Sustainable Community Strategy are now seen as the pre-eminent statement of priorities for the Council. They incorporate the Council's previously agreed priorities. A copy of the vision and priorities is attached at Appendix 1.

#### **3.2 Service Plan 2009/10**

A new format Service Plan, built around these priorities, is attached at Appendix 2. The Plan focuses on outcomes and what the Council aims to do over the next year and beyond to deliver those outcomes from within resources available. The link between budget and service planning is therefore retained.

The Plan reflects Gedling Borough Council's contribution to wider priority outcomes where appropriate. Complementary action planning with partner organisations, being developed through the Gedling Partnership, will ensure that wider outcomes outside the direct control of the Council are addressed. The plan also reflects the Council's commitments under the Nottinghamshire Local Area Agreement, but does not at this point include any changes to those commitments arising from the "refresh" of that agreement currently being negotiated with the Government Office for the East Midlands.

The previous separate listing of improvement tasks and performance indicators has been dropped in favour of an approach focused on delivery of outcomes, measured as appropriate by performance indicators and milestones.

The Plan is set around the six priority themes but the accountability and responsibilities of Heads of Service, lead officers and portfolio holders is still clearly indicated. This corporate version of the Plan has been

produced from department level returns which form each Department's Service Plans. In the corporate version, focus has been placed on outcomes and improvements to be secured – targets and actions to secure these outcomes are being developed further in department and section level plans. Where targets are included, they are in most cases those agreed in June 2008. In many cases, these will need to be reviewed as part of the Council's annual target review process after 2008/09 year-end. At this point, up to date baselines will also be included, based on 2008/09 results.

The information included in this Plan will feed into the Council's new performance management system, which will allow for more effective management of performance by officers and members in future. Work on its introduction is in progress and it is expected that reports from the system will be available by the first ¼ of 2009/10 (i.e. around July 2009). Further discussion with members is planned on an optimum format for these reports.

The new format addresses areas for improvement raised by the Audit Commission in the 2008 CPA assessment.

#### 4. HOUSING REVENUE ACCOUNT (HRA)

- 4.1 The Council has recently received a direction, under section 74(2)(d) of the Local Government and Housing Act 1989, to transfer the retained HRA properties (i.e. Hostel, 7 flats, shops and some garages) out of the HRA into the General Fund with effect from 3 November 2008.
- 4.2 Under the 1989 Act, the Council still has to retain a HRA until the 31 March 2010, effectively to enable the Audit Commission to verify the final Subsidy claim for 2008/2009 prior to its closure. The Secretary of State for the Department of Communities and Local Government has given consent to close the Housing Revenue Account on 31 March 2010 subject to successful audit.
- 4.3 It is anticipated that, in line with the medium term financial plan, there will be a HRA balance in the order of £1,500,000 at the 31 March 2009 and that net expenditure in the region of £15,100 will be incurred in 2009/2010 as shown in the table below:

<b>Housing Revenue Account Budget 2009/2010</b>	
<b>Expenditure</b>	<b>£</b>
Audit Commission Fees	36,500
Central Support	9,800
<b>Total Expenditure</b>	<b>46,300</b>
<b>Income</b>	
Interest on balances & mortgages	(31,200)
<b>Net Expenditure</b>	<b>15,100</b>

It is currently estimated therefore, that the HRA balance at 31 March 2010 will be £1,484,900.

- 4.4 A budget for post LSVT residual costs/retained functions of £478,000 based on the final negotiations, has been included in the General Fund Estimate. This is £52,800 lower than that originally anticipated of £530,800 in a full year. In addition, borrowing/set aside costs have reduced by a further £174,500 than that originally anticipated of £277,500.

## **5. PROPOSED GENERAL FUND BUDGET AND SERVICE PLAN 2009/10**

- 5.1 The Council's overarching Financial Strategy sets out the framework for overall financial control and administration for the Council. It also details how individual items such as Central Government Funding, Taxation levels, Resource Development Bids Scoring Methodology etc. impact on the annual budget and this has been taken into account in presenting this annual budget and Medium Term Financial Plan (MTFP) Summary.
- 5.2 In respect of Central Government funding, Cabinet received a report on 3 December 2008 showing the Council's Provisional Revenue Support Grant of £9.107m for 2009/10. The Final Revenue Support Grant settlement figures were announced on 21 January 2009, and the figure of £9.107m was confirmed for 2009/10. A provisional figure of £9.253m for 2010/11 was also contained in the announcement.
- 5.3 In developing a budget proposal, assumptions on the core budget have to be made and the various assumptions in respect of inflation and technical changes are shown at Appendix 3. These have been included in both the annual budget and MTFP calculations.

### **5.4 Budget Pressures and Efficiency Savings**

- 5.4.1 As Members are aware the economic downturn and crisis in the Financial Services Sector is placing significant pressure on the Council's financial position. Pressures are being experienced in terms of increased running costs e.g. energy expenses, and reduced income levels from fees and charges. Significantly reduced investment income is also anticipated due to reduced bank base rate. The impacts of these budget pressures are reflected in the base budget.
- 5.4.2 It is difficult to predict when the economic situation will improve but the MTFP assumes a gradual recovery beginning in 2012/13 this is based on economic forecasts from Central Government, Local Government Commentators and our own Treasury/Economic Advisors.

5.4.3 In order to mitigate increasing costs the base budget and MTFP include proposals for:

- Income generation – e.g. introduction of car park charging
- Budget reductions – e.g. payroll reductions of £200,000 2009/10, rising to £300,000 2010/11 and returning to normal levels by 2014/15.
- Efficiency savings - e.g. cash limited supplies/premises/ transport budgets; Gedling Transformation Programme efficiencies rising to £300,000 by 2013/14

5.4.4 In summary, the tables below highlights the areas of major variance in expenditure/income which have been reflected in the base budget 2009/10 and the main proposals for income generation, budget reductions and efficiency savings:

**Major Budget Variances 2009/10**

<b>Major Budget Variances (variance from 08/09 original budget)</b>	<b>Budget Impact 2009/10 £</b>
• Increased Premises Energy Expenses	334,000
• Increased Transport Fuel Costs	58,700
• Reduced Fees and Charges Income	654,000
• Reduced Investment Income	524,000
• Arnold Town Masterplan	192,000
• LSVT Residual Costs (net)	(196,000)
• Income Inflation	(96,800)
• Employee Pay Award	338,900
• Homelessness Bed and Breakfast Costs	42,900
• Concessionary Fares	98,500
• Other Inflation (Insurance, Water, NNDR)	40,000
• Other Variances (net reduction)	(130,800)
<b>Total Variances</b>	<b>1,859,400</b>

### **Base Budget Reductions 2009/10**

	<b>Budget Impact 2009/10 £</b>
<b><u>New Income Generation</u></b>	
• Car Park Charging	(550,000)
• Land Charges Personal Search	(30,000)
<b><u>Budget Reductions</u></b>	
• Payroll Reductions	(200,000)
• Reduce Frequency Highways Grass Cut	(25,000)
• Closure of Cemetery Lodge	(13,500)
• Reduce Christmas Lighting	(10,000)
• Reduce Members Pot by 50%	(25,000)
• Base Reduction Supplies and Services	(100,000)
<b><u>Efficiency Savings</u></b>	
<b><u>Cashable Reductions</u></b>	
• GTP Back Office Reductions	(55,000)
• Energy Efficiency – Fuel Consumption	(25,000)
• Housing Benefit Processing	(120,000)
• Replace Revenues Document Image Processing	(10,000)
• Recruitment Advertising	(40,000)
<b><u>Prevention of Budget Increase</u></b>	
• Cash Limited Supplies/Premises/Transport Budgets	(180,000)
<b>Total Base Budget Reductions</b>	<b>(1,383,500)</b>

<b>Net Increase in Budget</b>	<b>475,900</b>
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5.4.5 Many of the above items contribute to the Council's Efficiency Target for 2009/10 of £600,000, as indicated in Corporate Service Plan. The target is determined with reference to the annual efficiency requirement of 3% cashable saving per annum assumed within Government support grant settlement figures, as part of CSR2007.

## 5.5 Fees and Charges

Discretionary fees and charges have been increased by 3%, although specific charges will be at the discretion of individual portfolio holders provided that the overall level of increase is achieved. Changes in expected volumes of customers, both upwards and downward have also been anticipated, again in line with market expectations. Leisure's DNA income has not been inflated due both to the saturation of the market and to customer resistance.

## 5.6 General Fund Budget 2009/10 Summary

The following table summarises the proposed General Fund Budget for 2009/10. The detailed budgets are presented at Appendix 4. The major variances between the original estimate for 2008/09 and the estimate for 2009/10 are analysed by Portfolio at Appendix 5.

### General Fund Budget Summary 2009/10

<b>Portfolio</b>	<b>2008/09 Estimate</b>	<b>2009/10 Estimate</b>	<b>Variance</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Leader	1,861,700	2,340,300	478,600
Safe & Sustainable Neighbourhoods	1,373,400	1,389,700	16,300
Customer Services & Efficiency	0	0	0
Development & Economic Regeneration	669,900	1,031,100	361,200
Direct Services & Property	5,739,300	5,281,800	(457,500)
Housing & Health	1,792,100	1,505,300	(286,800)
Leisure & Youth	2,681,500	3,020,800	339,300
Finance	1,022,000	1,046,800	24,800
<b>Total</b>	<b>15,139,900</b>	<b>15,615,800</b>	<b>475,900</b>

## 5.7 Proposed Resource Developments 2009/10

In light of the overall financial position and the need to reduce net revenue expenditure significantly in order to achieve a balanced budget over time, there are no Revenue Resource Developments included in the budget proposal for 2009/10. The MTFP, at paragraph 6 below, also assumes no future ongoing revenue development bids.

## 5.8 Financing of the Capital Programme

As detailed in the Capital Programme report earlier on this agenda borrowing is required to finance part of the capital programme in 2009/10. Borrowing has an impact on the revenue budget in terms of interest costs and principal repayment, This is reflected in the General Fund Revenue Estimate summarised in paragraph 5.3 above and the Medium Term Financial Plan.

## 5.9 Scrutiny Committee Consultation

Policy Review Scrutiny Committee resolved to make the following recommendation to Cabinet in respect of budget proposals and Members may wish to consider these in making proposals to Council on 4 March:

*“Cabinet be advised that:*

- i. Potential areas for budgets cuts are Twinning Visits and NCC Agency Grass Cutting.*
- ii. The introduction of car park charges should be considered although this Committee recommend that no increase in charges should be made for the collection of Bulk Waste.*
- iii. Budget reductions should not be considered that relate to Parish Aid, Youth Development, Crime, Neighbourhood Wardens and the Members Pot, although this Committee has mixed views with regard to any possible cuts in funding to the voluntary sector, parks and street care, collection of additional summer domestic waste and increased charges for the collection of garden waste.”*



## 6. MEDIUM TERM FINANCIAL PLAN

- 6.1 The implementation of the Local Government Act 2003, which introduced new requirements for the Council's Chief Financial Officer (Head of Corporate Services for Gedling Borough Council) to comment on the robustness of the Council's estimates, and the need to look at the medium term (3 years) in order to produce the required indicators as detailed in the Prudential Code, means great emphasis needs to be placed on the Council's medium term financial planning. Although an absolute requirement to look over three years is required, it is considered good practice to look over as long a period as is reasonable. This Council has a history of producing a medium term financial plan over a 5 year horizon and this is still considered the appropriate period for this authority.
- 6.2 The following table (A) identifies the impact of all the options that are proposed in this report:
- i) The incremental increase in base revenue expenditure from 2008/09.
  - ii) Fees and charges to be increased by an average 3%.
  - iii) Anticipated cost of borrowing to finance the capital programme for 2009/2010-2012/13.
  - iv) The achievement of the new income generation, budget reductions and efficiency savings in 2009/2010 (paragraph 5.4.4 above).
  - v) In line with the Financial Strategy, provisions and earmarked reserves have been reviewed, and the MTFP assumes the transfer of £192,000 to General Fund balances during 2009/10.
  - vi) A percentage increase in Council Tax for 2009/10 has not been included in table A. Without an increase in Council Tax the estimated Deficit on Required Balances is £914,600 by 2013/14 in the MTFP. The deficit will need to be reduced by Council Tax increases and/or further budget reductions in 2009/10. (See paragraph 7 – Financial Risk Issues)
- 6.3 Table (B) details the impact of a range of Council Tax increases for 2009/2010, on the Required General Fund Balance at the end of the 5 year MTFP cycle.

**(A) MEDIUM TERM FINANCIAL PLAN 2009/10 TO 2013/14-HIGH LEVEL SUMMARY**

	2009/10 £	2010/11 £	2011/12 £	2012/13 £	2013/14 £
Total Projected Expenditure	15,615,800	15,388,400	15,626,100	15,904,000	16,289,800
Less: Amount (from)/to Balances	(1,265,600)	(702,000)	(576,900)	(482,400)	(486,300)
<b>Net Budget Requirement</b>	<b>14,350,200</b>	<b>14,686,400</b>	<b>15,049,200</b>	<b>15,421,600</b>	<b>15,803,500</b>

Expected balances at year end	2,462,200	1,852,700	1,275,800	793,400	307,100
Required balance (7.5% projected expenditure)	1,171,200	1,154,100	1,172,000	1,192,800	1,221,700
<b>(Surplus)/Deficit on required balances</b>	<b>(1,291,000)</b>	<b>(698,600)</b>	<b>(103,800)</b>	<b>399,400</b>	<b>914,600</b>

<b>Net Budget Requirement</b>	<b>14,350,200</b>	<b>14,686,400</b>	<b>15,049,200</b>	<b>15,421,600</b>	<b>15,803,500</b>
Less: Net External Support	9,106,900	9,253,400	9,438,500	9,627,200	9,819,800
Collection Fund Deficits	(8,044)	0	0	0	0
Required Council Tax Yield	5,251,400	5,433,000	5,610,800	5,794,300	5,983,700
Tax Base	37,733	37,900	38,000	38,100	38,200

<b>Percentage Council Tax increase</b>	<b>To be determined</b>	<b>3.00%</b>	<b>3.00%</b>	<b>3.00%</b>	<b>3.00%</b>
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**(B) IMPACT OF PERCENTAGE COUNCIL TAX INCREASES 2009/10 ON MINIMUM BALANCES REQUIRED**

Council Tax Increase	Council Tax Amount Band D	Impact on (Surplus) /Deficit on Required Balances 2013/14
%	£	£
2.5	142.65	212,800
3.0	143.35	72,300
3.5	144.04	(66,400)
4.0	144.74	(207,700)

An increase in excess of 3% is required to balance the budget unless further budget reductions/efficiencies are identified.

#### 6.4 **COUNCIL TAX**

The council tax for a band D property for 2008/09 is £139.17. The level of council tax for 2009/10 depends on the extent of service developments and financial risk issues (see paragraph 7 below) that the Council decides to provide for in the budget for next year. For illustration, an increase in council tax by 1% provides additional funding of £52,500.

The Council Taxpayer has to meet the difference between the planned expenditure and the Government grant receivable after the use of any balances are taken into account. It is this difference that is used to calculate individual Council Tax bills for 2009/10.

### 7. **FINANCIAL RISK ISSUES**

- 7.1 A minimum balance of 7.5% of total projected net expenditure on the General Fund is required in accordance with the Council's approved Financial Strategy. The external Auditor regards this level of balance on the General Fund to be satisfactory, and it is also appropriate to reflect uncertainties in the financial process in the medium term. The minimum balance required for 2009/10 is £1,171,200.
- 7.2 The (surplus)/deficit on balances in the above table shows amounts (above)/below the recommended minimum General Fund balance in any one year. Current spending plans, excluding an increase in Council Tax for 2009/10 which is yet to be determined, show a surplus of £1,291,000 in 2009/10 gradually declining to a deficit of £914,600 by 2013/14. Underlying this is an annual deficit between the amounts of income expected when compared to the anticipated expenditure. Although projections for the 2009/10 Council Tax increase show that this can be accommodated within the five-year horizon with an increase of 3.5%, further adjustments will be required to rectify this core imbalance. A Council Tax increase at the lower end, of 2.5%, is likely to require further budget reductions to ensure there is no deficit on the minimum required General Fund balance by the end of 2013/14.
- 7.3. The current uncertainty resulting from the economic recession and crisis in the Financial Services Sector results in increased risks in the financial planning process. Figures included in the MTFP are based on an assumption that the economic conditions will begin to recover during 2011/12 with full recovery achieved by 2013/14. Although there is increased risk arising from these assumptions, it is not considered necessary to increase minimum balances above the 7.5% of total projected net expenditure, as required in the Financial Strategy, as the Council is currently able to respond to the downturn by freezing

expenditure in certain areas to match changing demands. Careful budget monitoring and financial planning will be required to respond quickly to changing economic circumstances and avoid significant service cuts.

7.4 The Comprehensive Spending Review CSR 2007 anticipates a year on year 3% cashable efficiency saving being achieved. Financial modelling shows that the long-term imbalance in the budget can be managed with increases in council tax around 3%, but below the current 5% capping level. The extent to which Members will be required to maximise council tax increases will depend upon levels of efficiencies and new income generating initiatives.

7.5 The Authority continues to increase the amount of activities undertaken in association with a variety of partners. This requires reliance on partnership funding and/or the delivery of integrated programmes, e.g. the financial link between the Council's investment in recycling and the development of a local Material Recycling Facility, in order to satisfactorily deliver on time and within budget.

## 8. **RECOMMENDATIONS**

Cabinet are asked:

- (a) To recommend to Council on 4 March 2009:
  - i. a Council Tax increase which balances the financing of a Net Budget Requirement of £14,350,200 in 2009/10.
  - ii. that the detailed budgets and service plans for 2009/10 be approved.
  
- (b) To approve the HRA budget as detailed in paragraph 4.

### Vision and Priorities

**Gedling Borough - the part of Nottinghamshire where people want to live, work and do business**

**Community Strategy Theme: A place of safe and strong communities**

**Outcome:** A friendly place where people make a positive contribution to and feel part of their local community, respect and support each other, and take responsibility for their own actions. Where they feel safe in their homes and on the streets at any time of the day and night

**Community Strategy Theme: A place where people are treated fairly and have the opportunity to get involved**

**Outcome:** A place where everybody has an equal chance to realise their potential and enjoy the lifestyle they want. Where the needs of the villages and suburban neighbourhoods with regard to public transport, local jobs, access to services and housing are met. Where people can be confident that the organisations on which they rely for essential services will meet their needs and respond to their preferences in designing and delivering those services

**Community Strategy Theme: A place where we can take care of our environment**

**Outcome:** A place that achieves a balance between the natural and built environment and makes people feel good about their surroundings. A place with clean streets, well maintained open spaces and well managed countryside, where we take steps to preserve the environment for present and future generations. A place where there is a variety of distinctive and attractive buildings, that are of high quality and reflect the character of the local area

**Community Strategy Theme: A place where people can lead a healthy and active lifestyle**

**Outcome:** A place where people have the opportunity to enjoy a healthy lifestyle. A place where people can be physically and socially active, have good range of accessible health, recreational and leisure facilities and where there is a balanced mix of decent housing meeting the needs of the population

**Community Strategy Theme: A place that contributes to a vibrant and prosperous Greater Nottingham**

**Outcome:** A place that attracts investment, to create a variety of convenient facilities for essential services and shopping, cultural and social activities and also to provide business opportunities and local jobs. A place where people of all ages can have access to good quality education and training in order to gain the skills which will give them the best possible employment prospects and support the economy of Greater Nottingham

**Community Strategy Theme: Transforming Gedling**

**Outcome:** A Council that wants to be the best, in the eyes of its customers and its staff. A Council that continually seeks out new ways of working to improve customer and staff satisfaction and better value for money:

### **BASE BUDGET 2009/10**

#### **1. CENTRAL GOVERNMENT FUNDING**

The Local Government Finance Settlement for 2009/10 shows an additional cash allocation of £173,100 or 1.94%. In addition to this specific government departments have announced other revenue monies that are to be made available. In all cases these amounts are provisional and/or represent Officers best assessments of likely resource to be allocated to this Council.

#### **2. MAJOR BUDGET INDICES**

##### **i. Pay**

An estimated pay award of 2.5% has been included in the 2009/10 base budget which equates to £338,900. In the medium term financial plan, 2% has been included for 2010/11 and subsequent years.

##### **ii. Pensions**

During 2007/08 the pension fund Actuary completed a tri-annual review of the pension fund, resulting in the employer's contribution rate of 17.6%, which applies for the 3 years 2008/09-2010/11.

##### **iii. Inflation**

In the majority of cases budgets have been capped to the previous year's level. Inflation has only been applied to supplies and services budgets where there is a contractual obligation to do so.

##### **iv. Fees and charges**

Discretionary fees and charges have been increased by 3% in the MTFP although specific charges will be at the discretion of individual portfolio holders provided that the overall level of increase is achieved. Changes in expected volumes of customers, both upwards and downward have also been anticipated, again in line with market expectations

