



Report to: Cabinet

Subject: Council Plan 2010/11 (including General Fund Revenue Budget and Service Plan)

Date: 18 February 2010

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 2010/11 for approval.

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 (now known as the Council Plan) was considered by this Scrutiny Committee on 26 January 2010 as detailed in paragraph 4.9.
- 2.1 The final Budget and Service Plan proposals determined by Cabinet will be considered at the Council Budget meeting on 3 March 2010. The Borough Council has a statutory responsibility to determine its Council Tax by 10 March.

3. BACKGROUND

3.1 The Council's Priorities

As in 2009/10, the Council Plan has been built around delivery of the five Borough priorities set out in the Sustainable Community Strategy, along with a further priority for Gedling to be a Top Performing Council, derived from the Council's recently agreed Operational Vision and Strategy. The Plan effectively represents the Borough Council's contribution to delivery of the Community Strategy themes. The Community Strategy Vision and Priorities are attached for reference at **Appendix 1**.

3.2 Service Planning 2010/11

The Service Planning elements of the Council Plan are 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.

For each of the five Community Strategy themes and for the Operational Vision and Strategy, a series of objectives are set out. A range of performance measures to assess progress towards the objectives is included, along with proposed Priority Actions designed to contribute to delivery of the objectives.

Targets for the performance measures are largely those agreed by Council in June 2009. In most cases, these will need to be reviewed as part of the Council's annual target review process after 2009/10 year end. At this point, up to date baselines will also be included, based on 2009/10 results.

This hierarchy of priority theme – objective – measure – action reflects the “golden thread” structure in the Council's performance management system.

Though the Plan is set around the six priority themes, accountability and responsibilities of Heads of Service, lead officers and portfolio holders is still clearly indicated.

The Plan reflects Gedling Borough Council's contribution to wider priority outcomes where appropriate. Complementary action planning with partner organisations, 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.

4. PROPOSED GENERAL FUND REVENUE BUDGET 2010/11

- 4.1 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.
- 4.2 In respect of Central Government funding the provisional figures for the Local Government Finance Settlement of £9,253,407 for 2010/11 were reported to Cabinet on 14 January 2010. The Final Revenue Support Grant settlement figures were announced on 20 January 2010, and the figure of £9.253m was confirmed for 2010/11. There are currently no indicative Settlement figures available for 2011/12 and beyond, but due to the severe economic conditions currently being experienced cuts in grant are anticipated and reflected in the MTFP calculations.
- 4.3 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.

4.4 Budget Pressures and Efficiency Savings

- 4.4.1 As Members are aware the economic downturn and crisis in the Financial Services Sector is continuing to place significant pressure on the Council's financial position in terms of increased running costs and reduced income levels from fees and charges and investment interest. The impact of these budget pressures is reflected in the base budget. In order to mitigate increasing costs the base budget and MTFP include proposals for budget reductions and efficiency savings.
- 4.4.2 It is difficult to predict when the economic situation will improve but the MTFP assumes a gradual recovery beginning in 2011/12. This is based on economic forecasts from Central Government, Local Government Commentators and our own Treasury/Economic Advisors.

4.4.3 In summary, the tables below highlights the areas of major variance in expenditure/income which have been reflected in the base budget 2010/11 and the main proposals for budget reductions and efficiency savings:

Major Budget Variances 2010/11

Major Budget Variances (variance from 09/10 original budget)	Budget Impact 2010/11 £
• Reduced Fees and Charges Income (net)	756,000
• Income Inflation	(60,000)
• Reduced Transport Costs (Fuel and Vehicle Sales)	(79,000)
• Employee Pay Award (09/10 lower than estimated)	(268,000)
• Employee Pay Award 2010/11	63,000
• Reduced Staff Vacancy Provision	50,000
• Arnold Masterplan (deletion one off budget)	(292,000)
• Local Development Framework (deletion one off budget)	(40,000)
• Notts County Council Budget Decision (mainly Waste)	30,000
• Concessionary Fares (net of provision usage)	92,000
• Reduced Utilities/NNDR	(148,000)
• Other Variances (net reduction)	(6,600)
Total Variances	97,800

Base Budget Reductions 2010/11

	Budget Impact 2010/11 £
<u>Budget Reductions</u>	
• Payroll Reductions (additional in year)	(100,000)
• Reduce Voluntary Contributions to MRP	(42,300)
• Reduce Contribution to Insurance Provision	(20,000)
• Increase Council Tax Court Fee Recovery	(53,000)
• Remove Winter Park Patrolling	(17,000)
• Earlier Closure of Cemeteries	(15,000)
• Reduce Leisure DNA Marketing	(10,000)
• Capitalisation of Renovation Grants Salaries	(160,000)
• Discontinue A-Z of Services	(15,000)
• Gedling Country Park Contribution (delay 2 years)	(40,000)
<u>Efficiency Savings</u>	
<u>Cashable Reductions</u>	
• Gedling Transformation Programme (cumulative)	(200,000)
• Staff Terms and Conditions (full year effect)	(65,000)
• Housing Needs Prevention Work	(25,000)
• Asset Management	(22,000)
• Business Process Improvements	(83,000)
• Procurement – supplies and services contract negotiations	(35,000)
<u>Prevention of Budget Increase</u>	
• Cash Limited Supplies/Premises/Transport Budgets	(95,000)
Total Base Budget Reductions	(997,300)

Net Reduction in Budget	(899,500)
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4.4.4 The above efficiency items will deliver the Council's Efficiency Target for 2010/11 of £473,000, as indicated in the Council 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.

4.5 Fees and Charges

Discretionary fees and charges have been increased by 2%, 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.

4.6 General Fund Budget 2010/11 Summary

The following table summarises the proposed General Fund Budget for 2010/11. The detailed budgets are presented at **Appendix 4**. The major variances between the original estimate for 2009/10 and the estimate for 2010/11 are analysed by Portfolio at **Appendix 5**.

General Fund Budget Summary 2010/11

Portfolio	2009/10 Estimate	2010/11 Estimate	Variance
	£	£	£
Leader	2,340,300	2,158,400	(181,900)
Safe & Sustainable Neighbourhoods	2,585,000	2,346,700	(238,300)
Customer & Member Services	374,500	349,000	(25,500)
Development & Enterprise	521,100	557,000	35,900
Direct Services	5,147,800	5,033,900	(113,900)
Strategic Planning	499,800	401,300	(98,500)
Leisure & Wellbeing	3,020,800	2,943,900	(76,900)
Finance	1,081,500	881,100	(200,400)
Total	15,570,800	14,671,300	(899,500)

4.7 Proposed Resource Developments 2010/11

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 2010/11. The MTFP, at paragraph 5 below, also assumes no future ongoing revenue development bids.

However, following changes in the role of the Greater Nottingham Partnership from 31 March 2010, which delivered some economic development initiatives on behalf of the Council, and the need to progress the Arnold Town Master Plan and to respond to the downturn in the economy, resources have been allocated from these budget areas to develop and implement a directly managed economic development resource on an initial two year period. A report to establish an Economic Development Officer post was presented to Personnel and Resources Committee on 15 February 2010.

4.8 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 2010/11. 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 4.6 above and the Medium Term Financial Plan.

4.9 Scrutiny Committee Consultation

Policy Review Scrutiny Committee considered the Cabinet's budget proposals at its meeting on 26 January 2010. The Committee resolved to note the report, making no recommendation to Cabinet in respect of the budget proposals.

4.10 Business Ratepayers Consultation

Statutory consultation with 92 business ratepayers has been undertaken and two responses have been received. One response commented upon car park charging, and the other commented on the level of charges for leisure services and passed on general thanks for the hard work of the Council.

5. **MEDIUM TERM FINANCIAL PLAN**

- 5.1 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.
- 5.2 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 2009/10.
 - ii) Fees and charges to be increased by an average 2%.
 - iii) Anticipated cost of borrowing to finance the capital programme for 2010/2011-2014/15.
 - iv) The achievement of the budget reductions and efficiency savings in 2010/2011 (paragraph 4.4.3 above).
 - v) In line with the Financial Strategy, provisions and earmarked reserves have been reviewed, and the MTFP assumes the transfer of £72,000 to General Fund balances during 2010/11.
 - vi) A percentage increase in Council Tax for 2010/11 has not been included in table A. Without an increase in Council Tax the estimated Deficit on Required Balances is £922,900 by 2014/15 in the MTFP. The deficit will need to be reduced by Council Tax increases and/or further budget reductions in 2010/11. (See paragraph 7 – Financial Risk Issues)
- 5.3 Table (B) details the impact of a range of Council Tax increases for 2010/2011, on the Required General Fund Balance at the end of the 5 year MTFP cycle.

(A) MEDIUM TERM FINANCIAL PLAN 2010/11 TO 2014/15-HIGH LEVEL SUMMARY

	2010/11 £	2011/12 £	2012/13 £	2013/14 £	2014/15 £
Total Projected Expenditure	14,671,300	14,846,100	15,055,900	15,778,900	16,584,200
Less: Amount (from)/to Balances	32,100	(251,300)	(371,100)	(952,500)	(1,565,000)
Net Budget Requirement	14,703,400	14,594,800	14,684,800	14,826,400	15,019,200

Expected balances at year end	3,460,800	3,209,500	2,838,400	1,885,900	320,900
Required balance (7.5% projected expenditure)	1,100,300	1,113,500	1,129,200	1,183,400	1,243,800
(Surplus)/Deficit on required balances	(2,360,500)	(2,096,000)	(1,709,200)	(702,500)	922,900

Net Budget Requirement	14,703,400	14,594,800	14,684,800	14,826,400	15,019,200
Less: Net External Support	9,253,400	9,068,300	8,977,700	8,932,800	8,932,800
Collection Fund Surplus	19,400	0	0	0	0
Required Council Tax Yield	5,430,500	5,526,500	5,707,100	5,893,600	6,086,400
Tax Base	38,090	38,190	38,290	38,390	38,490

Percentage Council Tax increase	To be determined	1.50%	3.00%	3.00%	3.00%
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(B) IMPACT OF PERCENTAGE COUNCIL TAX INCREASES 2010/11 ON MINIMUM BALANCES REQUIRED

Council Tax Increase	Council Tax Amount Band D	Impact on (Surplus) /Deficit on Required Balances 2014/15
%	£	£
1.0	144.00	636,000
2.0	145.42	350,000
3.0	146.85	64,000
4.0	148.27	(221,000)
5.0	149.70	(511,000)

- 5.4 An increase of 3% is required to balance the budget unless further budget reductions/efficiencies are identified in the short to medium term based on current assumptions with regard to future Council Tax increases.

If Council determines an increase above or below the required level, future budget assumptions will require modification in order to achieve a balanced position. However the medium term position is robust, so lower than a 3% increase can be accommodated with modest increases in future taxation levels. Increases above 3% may allow the Council to consider growth in the budget either in this or future years. In addition, the Council has an excellent track record of budget management with a history of making proactive budget adjustments to deliver a balanced medium term position.

5.5 **COUNCIL TAX**

The council tax for a band D property for 2009/10 is £142.57. The level of council tax for 2010/11 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 £54,500.

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 2010/11.

6. **FINANCIAL RISK ISSUES**

- 6.1 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 2010/11 is £1,100,300.
- 6.2 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 2010/11 which is yet to be determined, show a surplus of £2,360,500 in 2010/11 gradually declining to a deficit of £922,900 by 2014/15. Underlying this is an annual deficit between the amounts of income expected when compared to the anticipated expenditure. Although projections for the 2010/11 Council Tax increase show that this can be accommodated within the five-year horizon with an increase of 3%, further adjustments will be required to rectify this core imbalance. A Council Tax increase at the lower end, of 1.0%, is likely to require further budget reductions in the future programmes to ensure there is no deficit on the minimum required General Fund balance by the end of 2014/15.

- 6.3 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.
- 6.4 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.
- 6.5 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 and is an approach which is integral to the Council's efficiency programme e.g. funding bids to the Regional Improvement and Efficiency Partnership.

7. RECOMMENDATIONS

Cabinet are asked:

- (a) To recommend to Council on 3 March 2010:
- i. a Council Tax increase which balances the financing of a Net Budget Requirement of £14,703,400 in 2010/11.
 - ii. that the detailed budgets and service plans for 2010/11 be approved.

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

Operational vision and strategy: Gedling as a top performing Council

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 to provide better value for money.

BASE BUDGET ASSUMPTIONS 2010/11

1. Central Government Funding

The provisional Local Government Finance Settlement for 2010/11 shows an additional cash allocation of £146,500 or 1.6%. 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 0.5% has been included in the 2010/11 base budget which equates to £63,300. In the MTFP, 0.5% has been included for 2011/12, 1% for 2012/13 and 2013/14, and 2% for 2014/15 to reflect the anticipated timing of the economic recovery and its impact on pay settlements.

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. The MTFP does not assume any further increases in employer contribution rates.

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 2% in 2010/11 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.