

Report of	Meeting	Date
Statutory Finance Officer (Introduced by the Executive Member for Resources)	Council	2 March 2010

GENERAL FUND REVENUE AND CAPITAL BUDGET AND COUNCIL TAX 2010/11

PURPOSE OF REPORT

- To seek approval of the Executive Cabinet's budget proposal including the Council Tax yield to be raised in 2010/11.

RECOMMENDATION(S)

- Approve the budget and Council Tax set out in the resolutions at Appendix A allowing for the freezing of Council Tax at the levels set in 2009/10.
 - Approve the Council's Capital Programme as set out in Appendix B.
 - Approve the Treasury Management Strategy and its core principles set out in Appendix C.
 - Note the advice of the Statutory Finance Officer in relation to the robustness of the budget and the risks contained in the budget set out in the Statutory Report at Appendix D.
 - Approve the Council's Medium Term Financial Strategy at Appendix E.
 - Note significant budget movements from the 2009/10 budget at Appendix F.
 - Note Special Expenses and Parish Precepts at Appendix G.
 - Note the Budget Consultation Response at Appendix H.

EXECUTIVE SUMMARY OF REPORT

- The 2010/11 budget the Executive believe needs to achieve one overriding objective, and that is to protect front line services. General performance at the Council continues to be excellent, with the Council being amongst the top scorers on external inspection during 2009. The following was achieved in terms of external inspection:
 - A score of excellent for organisational performance
 - A score of excellent for the use of resources
- Positive feedback has been received from other external inspections that have taken place, eg Member Development and Equality and Diversity.

In addition:

- Satisfaction levels with the Council's services continue in the main to be good.
- Good progress is being made towards the achievement of the outcomes, targets and measure contained in the Corporate Plan.

5. Therefore the budget strategy is built around the following key principles, which were outlined by the Executive previously and which are:
- Containing council Tax increase.
 - Protecting business from the ongoing impact of the recession.
 - Continuing to provide value for money.
 - Protecting front line services.
 - Preparing for the future and uncertainty over public finances.
 - Continuing to deliver improvement and efficiency.
6. The Executive believe that the core principles outlined above have been achieved during the budget process and set out in the rest of the paper is a further explanation of the Executive proposals. The key proposals are:
- The freezing of Council Tax for 2010/11.
 - Freezing of pay and display fee income and market rents.
 - Continuing to invest in priority services.
 - Continuing to make further efficiencies in management and back office costs.

REASONS FOR RECOMMENDATION(S)

(If the recommendations are accepted)

7. To ensure that the Council complies with the requirement to set the budget for 2010/11.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

8. None.

CORPORATE PRIORITIES

9. This report relates to the following Strategic Objectives:

Put Chorley at the heart of regional economic development in the Central Lancashire sub-region		Develop local solutions to climate change.	
Improving equality of opportunity and life chances		Develop the Character and feel of Chorley as a good place to live	
Involving people in their communities		Ensure Chorley Borough Council is a performing organization	

BACKGROUND

10. The Executive published the draft budget principles for consultation during February 2009 setting out its broad intention for spending and investment in the borough for the forthcoming financial year 2010/11. These papers build upon those principles and set out for Council the budget proposals for 2010/11.

BUDGET CONSULTATION

11. The budget principles were explained to members in the report to the Executive Cabinet on 18 February 2010 along with the forecast of the 2010/11 budget, showing that on a continuation basis, the budget is balanced. These principles have been considered by:
- The Overview and Scrutiny Committee
 - 300 members of the Citizens Panel
 - The Chamber of Trade
 - The Parish Councils

The feedback from the consultation is shown at Appendix H, and is supportive of the core principles adopted by the Executive.

BUDGET PROPOSALS

12. The starting point for any budget is a roll forward from one year to the next of the Councils continuation budget which is the cost of the current levels of existing services, updated to reflect inflation, change in volumetric and any policy changes made by the Council in the current year.
13. Set out in the Councils Financial Strategy is an analysis of the changes year on year over the next financial planning period 2010/11-2012/13 in Appendix E1.
14. Members will be aware that the outlook for the public finances is uncertain given the current forecast levels of Government borrowing and debt. The forecast for the three years beginning 2010/11 and ending in 2012/13 are contained in the Medium Term Financial Strategy and are predicated on the following key assumptions:

Table 1 Key Budget Assumptions

Assumption	2010/11	2011/12	2012/13
Council Tax increases	0%	0%	0%
Pay inflation	0.5%	1.5%	1.5%
Employees pension contribution	1%	2%	2%
Increase in grant settlement	£129k	0	0
Housing and Planning delivery grant	£127k	0	0
Performance reward grant	£150k	£150k	0
LAGBI grant	£75k	£75k	0

15. The table shows the key assumptions made in forecasting forward the Councils financial position. Please note these do not represent what might actually happen, particularly with regard to Council Tax levels as these are determined annually based upon the latest up to date information. Some key messages are:
- No assumption has been made regarding either:
 - future potential increase in Council Tax
 - expected levels of Government grant post 2010/11

- The pay bill including pension contribution has been forecast to increase by 3.5% annually during 2011/12 and 2012/13. This will add £365k and £368k to the budget in 2011/12 and 2012/13 respectively.
- A number of performance related grants receivable are forecast to cease over the financial planning period, and no assumptions have been made about their replacements.

16. On the above matters the context of the assumptions is important.

17. It is almost impossible to predict the next Government's approach to the future finances in local Government post June 2010. That said a number of scenarios are possible that include:

- A freeze on public sector pay.
- A cash decrease in Government funding and thus a reduction in Aggregate External Finance.
- A fundamental review of the Public Sector Pension provision.
- New performance related grants being implemented to direct and achieve the Governments policy objectives.

18. In terms of the budget principles adopted to construct the budget, the following is proposed as part of the 2010/11 budget:

CONTAINING COUNCIL TAX INCREASES

19. For 2010/11 the Executive propose that Council Tax is frozen at the levels set in 2009/10. Consequently the Council Tax increase for the period 2007/8 – 2010/11 will have been as follows:

Table 2: Annual Council Tax Increase 2007/08 to 2010/11

Year	Annual % increase
2007/08	0.0
2008/09	2.5
2009/10	2.9
2010/11	0.0
Average	1.4

PROTECTING BUSINESSES IN CHORLEY

20. For 2010/11 the Executive propose freezing the following charges:

- Car Park Pay and Display fees and charges for those paying daily.
- Market Rents.

PROVIDING BETTER VALUE SERVICES

21. Over the financial years 2007/08 to 2010/11 the following savings/efficiencies have been achieved:

Table 3: Annual Budget Savings 2007/08 to 2010/11

Year	Annual saving £'000
2007/08	£1,795
2008/09	£551
2009/10	£848
2010/11	£747
Average	£985

22. During the period the performance of the Council has continued to improve, culminating in the Council achieving:
- Excellent status under the Comprehensive Performance Assessment.
 - The maximum scores possible for both the most recent organisational assessment and use of resources reviews.
 - Progress on achieving the Councils Corporate Plan.
23. For this reason the Executive are convinced that maintaining current performance and improving it wherever needed whilst continuing to reduce the costs to the Tax payer of local service delivery is the right approach.

PROTECTING FRONT LINE SERVICES

24. During the period of 2007/08 to 2009/10 a total cost reduction of £3,194k was achieved whilst also maintaining and improving front line service. The Administrations strategy of reducing management and administration costs has meant that it has been possible to protect and in some cases redirect resources to front line services during that time.
25. For 2010/11 the position is not different, the savings achieved have come from the following areas:

Table 4: Budget Savings 2010/11

Saving	£'000
Reduction in service management costs	443
Reduction in costs of middle management and support costs	220
Contract reductions through negotiation	84
Total	747

26. As a result of this approach the Council will be able to continue to spend on key services, some examples of which are:
- Helping to continue to fund the provision of 22 PCSO's in the Borough.
 - Continuing to provide free swimming and Get Up and Go programme.
 - Continuing to invest in partnership working to help reduce teenage pregnancy, alcohol harm and to encourage active life style.
 - Continuing to help reduce unemployment in the area.
 - Investing in solution to reduce the Councils carbon footprint.
 - Improving the Town Centre.
 - Continuing to invest in and provide more affordable homes.
 - Providing street pastors and play rangers to combat anti social behaviour.
 - Completing the building of Buckshaw railway station.
 - The additional resources identified in 2009/10 for key services such as housing and the benefits service will be maintained.

PREPARING FOR THE FUTURE

27. The administration has consistently followed a prudent approach to the budget by:
- Not setting unachievable targets in the budget.
 - Balancing the budget over the medium term.
 - Containing working balances at a level sufficient to meet risk.
28. In term of 2010/11 the Executive proposals will mean:
- The budget is balanced as we move in to what is likely to be a difficult period financially.
 - The Councils working balances will be increased to guard against the financial risks that the Council may face in the future.
 - Capital spending and borrowing will be contained so the impact on the revenue account is minimised.

CAPITAL PROGRAMME

29. The forecast three year capital programme for the period 2010/11 to 2012/13 is contained at Appendix B. Monitoring of the Capital Programme for 2009/10 is also included in order to indicate the re-phasing of expenditure to 2010/11.
30. The programme is based upon the three year programme reported to the last Executive and Council on the 26 January 2010.
31. As the approach is to ensure that Capital spending plans **are** affordable, and given the pressure there is likely to be on public finances in the future, no new schemes will be added to the programme in 2012/13 other than that which is contractual or that can be financed from external resources.

Consequently the proposed spending for the period is as follows:

2010/11	2011/12	2012/13
£8,640,510	£1,935,640	£1,461,110

32. The pressure on capital resources will continue to be an issue for the Council over the medium term. The depressed state of the market means asset sales have been postponed whilst the market improves. In addition the assets at the Council's disposal diminish year on year through sales. A thorough review of the Council's asset holding is required as part of the site allocation process to be completed during 2010 to ensure that the updated Asset Management Plan to be completed during 2010/11 has a strategic dimension to it.

33. As a consequence the anticipated borrowing for the period 2010/11 to 2012/13 is as follows:

2010/11	2011/12	2012/13
£613,330	£506,310	£614,800

34. To ensure that borrowing does not exceed the budgeted total, all capital income such as receipts from asset sales, grants and contribution and the VAT shelter will have to be achieved as indicated in the programme. Should additional contributions be recovered from either windfalls or developer contributions, new schemes could be added to the programme. Should receipts from asset sales or the VAT shelter exceed the totals required, it would be possible to reduce the borrowing requirement or reduce the Council's debt, in order to make revenue budget savings in subsequent years.

35. The capital receipts estimated to be receivable from the disposal of surplus assets are indicated in Appendix B4. Appendix B5 analyses the use of developers contributions to finance the capital programme and indicates that currently a balance of £221,000 is available for the provision and maintenance of play and recreation facilities.

THE COLLECTION FUND

36. The collection fund or account used for the collection of council Tax is forecast to be in deficit for 2009/10 as the collection rates have reduced by 0.5% during the economic downturn. Consequently I have provided for recovery of that deficit to be recovered, but it is a relatively small sum of only £20k. If the downturn continues then recovery will continue to be difficult even though performance is relatively good, I have predicted future years on this basis.

37. The details of the budget proposals and the relevant supporting strategies and resolutions are set out as follows:

Appendix A	Formal Council Tax Resolution
Appendix B	Capital Programme 2010/11 -2012/13
B1	Capital Programme 2009/10
B2	Three Year Capital Programme
B3	Explanation of 2010/11 Changes
B4	Surplus Asset Disposal Programme
B5	Use of Developers Contributions
Appendix C	Treasury Management Strategy
Appendix D	Statutory Report
Appendix E	Medium Term Financial Strategy
Appendix F	Significant Budget Movements Year on Year
Appendix G	Special Expenses /Parish Precepts
Appendix H	Budget Consultation Response

38. Pressure continues to be placed on the Council's budget from the economic downturn, for 2010/11 the income budget for the coming year has been rebased with particular reductions in car parking income and building control fees which have been significantly reduced.
39. On a positive note income from planning fees is holding up against budget forecast. In terms of significant pressure on expenditure budgets more money is having to be factored into the base budget to fund Local Development Framework, inflation and contract costs which continue to rise, albeit less than they would have increased if inflation had been higher.
40. A number of key amendments have also been made to the base budget for 2010/11, namely:
- No reliance is being placed on using working balances to fund any part of the 2010/11 budget.
 - The vacancy saving target figure factored into the budget has been reduced by £50k and will now be £300k or 2.7% of the Councils pay bill. This is a consequence of the Council having a smaller establishment.
 - The efficiency target has been removed and will only be replaced if specific work is ongoing to achieve that target. Again this is part of the strategy to remove inherent risk from the budget.

FUTURE YEARS PROPOSALS

41. Contained in the Financial Strategy at Appendix E is a summary of the forecast position for the Council budget up until 2012/13. The forecast is based on the following key assumptions:
- A continuation of current service provision to the same level and in the same way over that period
 - Increase in costs, particularly for the Councils pay and pension bill of 3.5% annually for 2011/12 and 2012/13
 - No allowance at this stage has been made for either an increase in Council Tax or potential decreases in external financial support from the Government.
42. The key message is that in this period of uncertainty the forecast needs to be considered with the utmost care. The real picture will only emerge after the general election and even then it may be some time before the position can be forecast with any degree of certainty.
43. That said, the Council must plan on some basis and the figures show that further savings will be needed over the medium term to balance the budget based upon the assumption already made. The financial strategy sets out the areas where the Council may want to concentrate its efforts in terms of achieving the savings required.

CONCLUSION

44. This paper outlines for the Council the Executives proposals in terms of budget for 2010/11. The budget principles adopted by the Executive means that its objective of protecting front line services provision whilst containing Tax increases has been achieved, consequently:
- Council Tax for 2010/11 will be frozen at the 2009/10 levels
 - Front line service provision will be maintained
 - Increase in fees and charges have been restricted
 - The budget is balanced for 2010/11
 - The level of working balances are increased from the levels in 2009/10
 - Significant savings in management and back office costs has been issued.
45. Future saving will be required but uncertainty remains over the level of the savings given the support to Local Government has not yet been spelled out and is unlikely to be so until after the general election during 2010.
46. The Council will continue to have to work extremely hard, be innovative and creative to continue to make efficiencies and at the same minimise the impact on services. Two determining factors could significantly affect the current forecast position. The first will be the levels of Government funding in the next 3 years and the second will be impact of the economic downturn and whether some of the Council's key income streams will see any recovery in the short to medium term. The Council's income streams have been significantly affected but should the position improve, then this will impact of the current forecast where no income recovery expectation has been made and the Council is forecast to balance the books. The overall approach to be adopted in terms of further efficiencies is set out in the Medium Term Financial Strategy which is appended to this report.

IMPLICATIONS OF REPORT

47. This report has implications in the following areas and the relevant Directors' comments are included:

Finance		Customer Services	
Human Resources		Equality and Diversity	
Legal		No significant implications in this area	

GARY HALL
DIRECTOR OF TRANSFORMATION

There are no background papers to this report.

Report Author	Ext	Date	Doc ID
Gary Hall	5480	12/02/10	Rev & Capital Budget Report