

Report of	Meeting	Date
The Executive Cabinet	Council	26 February 2009

GENERAL FUND REVENUE AND COUNCIL TAX 2009/10 AND CAPITAL PROGRAMME

PURPOSE OF REPORT

1. To seek approval of the Executive Cabinet's budget proposals including the levels of Council Tax increase for 2009/10.

RECOMMENDATIONS

2. The Council is recommended to:
 - a) Approve the budget and Council Tax as set out in the resolution at Appendix A allowing for a 2.9% increase in Council Tax levels.
 - b) Approve the Council's Capital Programme as set out in Appendix B.
 - c) Approve the fees and charges increases and car park tariff changes as set out in Appendix C of 3% on fees and charges along with the new tariff proposed.
 - d) Approve the Treasury Management Strategy and its core principles in Appendix D.
 - e) Note the advice of the Statutory Finance Officer in relation to the robustness of the budget and the risk contained in the budget set out in the Statutory Report at Appendix E.
 - f) Approve the Council's Medium Terms Financial Strategy at Appendix F.

EXECUTIVE SUMMARY OF REPORT

3. This year's budget the Executive believe needed to achieve one overriding objective and that was to protect front line services, in addition it needed also to ensure:
 - The Council continued to drive out costs.
 - The Council continued to deliver value for money for its residents.
 - The Council continued to invest in frontline services and priorities, albeit not necessary in pure cash terms.
4. In terms of the key messages, there are many positives to report:
 - The proposed level of Council Tax increase is below the current rate of inflation.
 - There will be significant investment in the continued improvement in front line services.
 - Disruption to the current council services, which are performing well, has again been kept to a minimum.
5. The Executive would have liked to do more, but continued pressure on expenditure and income means that we have to temper our ambitions. In particular the need to minimise

the financial risk to the Council of implementing the free concessionary travel scheme means that the Executive have had to temper its plans.

BACKGROUND

6. The Executive published a draft budget at the beginning of January 2009 setting out its broad intention for spending and investment in the borough for the forthcoming financial year 2009/10. Some revision to that draft budget have had to be made, particularly in relation to the levels of investment income expected, as rates have continued to plummet.

BUDGET CONSULTATION

7. The draft budget was approved for consultation in January 2009. A summary of the conclusions from the consultation is shown at Appendix G.
8. Executive Cabinet have considered the messages contained in the responses and considered that some amendments to its draft budget be made. A formal response to the issues raised by Scrutiny is also included in Appendix H to this report.
9. In general the consultation responses were supportive of the Council's priorities. However, little comments were received from the public consultation in relation to either:
- the level of proposed Council Tax increase or;
 - the proposals for amendment to the fees and charges.
10. The Executive were asked by the Overview and Scrutiny Committee to consider:
- amending the Councils Treasury Management Strategy, to limit exposure of deposits to only UK based institutions
 - maintaining the sums available for Core Grant by switching resources from the local strategic partnership

BUDGET PROPOSALS

11. Since the budget consultation document was published a number of adjustments have had to be made to the Continuation budget, based upon updated information. Shown in the table below is a summary of the movements.

Table 1: Budget Proposals

	£'000	£'000
Budget Gap reported in December Draft		1,080
Savings proposals	(453)	
Income generation	(172)	(625)
3.5% Council Tax increase		(191)
Net Expenditure		264
<u>Changes in Budgets since December:</u>		
- Options for Member approval	(119)	
- Other Budget changes	86	
Additional headroom available		(33)
Reduction in Council Tax increase from 3.5% to 2.9%		33
Expenditure to be funded from working balances 2009/10		264

12. The table shows that whilst there have been movements in expenditure and income projections, the overall impact is that a small amount of headroom has been created in the budget. In terms of policy choices, the majority of amendments are based upon having better information and are changes the Statutory Finance Officer advises should be made to make the budget more robust.
13. Of the amendments made to the draft revenue budget there are policy changes that have been made and assumptions amended which are summarised as:
- The proposed level of Council Tax increase has been reduced from 3.5% down to 2.9%.
 - Funds have been diverted back into Core funding and the loss of income to the Citizens Advice Bureau reinstated for a period of 12 months.
 - Additional staffing resources are proposed for the Benefits Section to mitigate the increase in demand for the service.
 - Change in the assumptions have been made in relation to future pay awards from 2.5% to 2% in 2009/10 and the small contingency budget of £40k has been removed.
14. An explanation of the budget variations year on year and the savings achieved are shown at Appendices I and J respectively. The details of the Executive Cabinet's proposed to the Council are set out in the following Appendices:

Appendix	A	Formal Council Tax Resolution <u>Capital Programme 2009/10 – 2011/12</u>
	B(1)	The three-year capital programme.
	B(2)	Appendix B(2) – developers' contributions.
	B(3)	Appendix B(3) – capital receipts.
	C	Fees and Charges Proposals
	D	Treasury Management Strategy
	E	Statutory Report
	F	Medium Term Financial Strategy
	G	Consultation Response
	H	Executive Response to Budget Consultation
	I	Significant Budget Movements Year on Year
	J	Schedule of Budget Savings
	K	Schedule of Budget Saving Proposal
	L	Schedule of Movements since budget approved for consultation
	M	Special Expenses Parish Precepts

15. Pressure continues to be placed on the Council's budget from economic downturn. The free concessionary travel scheme continues to be a risk but there is now some clarity over the 2008/09 cost. It is impossible to predict completely accurately the likely total cost of the scheme and its impact on the Council's budget. The proposed pooling arrangement mitigates the risk to some extent but cannot and will not protect the Council completely. Whilst the Government have indicated a possible change in the current arrangements, it is still unclear if either funding will be redistributed or the responsibility will be passed back to upper tier authorities.
16. The Councils overriding aim was to protecting front line services. Within that overall aim the Executive have been clear that it wanted to continue to improve services and therefore allocate additional resources both in cash terms and focus the organisation on areas of concern particularly where the economic situation is having an impact.
17. In order to do this, it took along with the Council a number of policy decisions during 2008/9 that have committed resources in 2009/10, these were:

- Introducing the new scheme for recycling from April 2009
 - Putting additional staffing resources into the strategic housing function for the development of affordable housing and managing homelessness
 - Signing up to free swimming for both the over 60's and the under 16's
18. The Executive has been able to achieve this through working with our partners attracting additional grant and continuing to identify saving and efficiencies to pay for the new initiatives.
19. In addition it is also committed to working through the economic downturn and is redirecting the resources at its disposal to a number of different initiatives. Members will be aware that in order to achieve its corporate objective the administration has a sound record of performance and matching its ambition with the resources to deliver. Whilst we are not proposing additional resources be spent in this budget round our previous decisions plus the alignment of resources in hand will mean we will continue to deliver the promise made to the residents of Chorley. Examples of this practice have been referred to previously and some further examples are included in the Executives response to budget consultation set out at Appendix H.

THE CAPITAL PROGRAMME

20. The Executive issued its draft three-year Capital Programme for the period 2009/10 to 2011/12 in January 2009. This is attached at Appendix B1. In summary, expenditure for the period is estimated as follows:

2009/10	2010/11	2011/12	Total
£'000	£'000	£'000	£'000
<u>5.053</u>	<u>3.317</u>	<u>1.175</u>	<u>9.545</u>

21. The proposed budget for 2011/12 includes only contractual and other commitments at this stage and will be updated in the future when more accurate estimates of resources likely to be available for 2011/12 are available. Financing at present is shown to require £0.575 million additional borrowing in 2011/12. However, it may be possible to avoid such borrowing if additional resources, in particular capital receipts from the sale of surplus assets, become available.
22. The proposed budgets for 2009/10 and 2010/11 were previously included in the three-year programme approved last year, and reflected the Executive's intention to focus on the Council's corporate priorities. The key priorities for capital investment were identified as:
- Affordable Housing
 - Town Centre improvements
 - Sustainability and Climate Change
 - Investment in the Council's infrastructure
23. Also included were contractual and other commitments continuing from earlier years. The budgets for 2009/10 and 2010/11 have been updated throughout 2008/09 to take account of reported slippage of expenditure. No new schemes have been added in these years if they would cause prudential borrowing to exceed the previously agreed total of £3.625 million for the period 2008/09 to 2010/11. The only new schemes included are therefore those financed in full by external resources, in particular the contribution to the new Buckshaw Village School (£1 million) and Eaves Green Play Development (£0.182 million).

24. To ensure that borrowing does not exceed the budgeted total, all capital income such as receipts from asset sales, grants and contributions will have to be achieved as indicated. Progress in achieving capital income will be monitored throughout 2009/10 and appropriate action will be proposed depending on the circumstances. Should additional contributions be received from developers, new schemes could be added to the programme. Should receipts from sale of assets exceed the total included in the estimated financing of the programme, it should be possible to reduce the borrowing requirement or to repay debt, in order to make revenue budget savings in subsequent years.
25. Details of developers' contributions estimated to be available in the three-year period are attached at Appendix B2 along with estimated receipts from disposal of assets Appendix B3.

CONCLUSION

26. The budget continues to direct resources into the Council's key priorities and address concerns identified by Borough Citizens. The administration ambition to contain the level of Council Tax increase whilst continuing to invest in services has been achieved. Particular focus for 2009/10 in terms of developments has been on resourcing the Council's Corporate Strategy and addressing areas of concern around the economic downturn, homelessness and the Councils recycling scheme.
27. There are some significant risks contained in the budget which in the worst case scenario could have a negative affect on the Council's budget and ability to continue to develop services. However, in line with the Statutory Finance Officer's advice the level at which the Council's working balances are kept, this risk is to be monitored as per that advice.
28. The Council's Council Tax increase must be viewed in the context of our partner authorities who have increased their element of the Council Tax as follows:

Lancashire County Council	2.90%
Lancashire Fire Authority	3.74%
Lancashire Police Authority	4.50%

FUTURE YEARS PROSPECTS

29. In terms of future years prospects the forecasts show that in the two years following 2009/10 a sum of £1m will need to be saved to balance the Council books, £500k will be required, assuming low levels of Council Tax increases.
30. The financial forecast are built on the current commitments made by the Government in relation to the amount of grant the Council will receive, which is forecast to be:

2009/10	+£137k (1.6%)
2010/11	+£129k (1.5%)
2011/12	+£85k (1.0%)
31. These sums are small compared to previous settlements and contribute towards the Council's current financial position. The main reason for the reduction is that cash has been switched to upper tier and unitary councils in an attempt to deal with in particular pressure for social care costs.

32. As a result and even after allowing for inflationary Council Tax rises the savings required will be in the region of £620k in 2010/11 and £381k in 2011/12 based upon the current continuation budget. These figures allow for no further growth
33. The Council will have to work extremely hard to achieve this level of savings given the scale of the savings previously made. If the Council is to minimise the impact on services it will need to be innovative in its approach. Two determining factors could significantly affect this forecast. The first will be the ultimate outcome of discussions on concessionary transport and the ultimate cost of the scheme. The second will be how long the economic downturn continues. The Councils income stream have been significantly affected but should the position improve, then this will impact on the forecasts and Councils approach to balancing the books. The overall approach to be adopted in terms of further efficiencies is contained in the Medium Term Financial Plan shown at Appendix F.

GARY HALL
 ASSISTANT CHIEF EXECUTIVE
 (BUSINESS TRANSFORMATION)

Background Papers			
Document	Date	File	Place of Inspection
Draft Budget Proposal	6/12/2007	Executive Cabinet	Town Hall
Budget Update Report	14/2/2008	Executive Cabinet	Town Hall

Report Author	Ext	Date	Doc ID
Gary Hall	5480	14/02/08	ACE(Bi)/reports/2008/Council/ General Fund Rev and Council Tax