

Budget 2008/09

Head of Service: Tim Capper, Heads of Democratic Services
Report Author: Neil White, Scrutiny Support Officer

Recommendation: that the Committee consider the council budget process and timetable for 2008/09.

BACKGROUND

The Committee may recall that the Council's constitution involves consultation on the budget timetable and process with Overview and Scrutiny before the Resource Planning Working Group submits recommendations on the budget to the Executive.

This report fulfils part of that requirement. Attached as Appendices are the reports that the Resource Planning Working Group has considered on the Council's draft 2008/09 budget. These cover:

- the Review of the Medium Term Financial Strategy
- Agreed priorities
- Risks identified
- Budget timetable

The Committee is asked to consider these reports and make recommendations to the Executive.

Some key questions that the Committee might like to consider in looking at the draft budget are:

- (1) How will the budget reflect investments that are aimed at achieving longer-term savings – 'invest to save'?
- (2) What consideration has been given to maximising income (where appropriate and equitable) – e.g. income from sales, fees and charges etc?
- (3) What is the anticipated impact of efficiency targets on the budget and how is the council planning ahead to deal with the cumulative effects of efficiency targets?
- (4) What is the anticipated impact of budget pressures on:
 - (a) services

- (b) performance
 - (c) clients/service users
 - (d) partnerships and joint working
 - (e) staffing levels
 - (f) job evaluation
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- (5) To what extent is compliance with external inspection having an effect on budgets and spending?
 - (6) What choices and options did you have when setting your budget targets?
 - (7) How were decisions arrived at in order to decide between options?
 - (8) How do your budget targets contribute to the achievement of corporate priorities and e-government targets?
 - (9) Is this external funding time-limited – if yes, have we got an exit strategy?
 - (10) Are we making full use of prudential borrowing and trading and charging powers?
 - (11) How can our income be increased in a sustainable way?
 - (12) How much of our budget is fixed – what do we have discretion over?
 - (13) Can you clarify how setting the budget is linked to medium term financial planning?
 - (14) How do we use the medium term financial strategy to decide on resource allocation to corporate and service priorities?
 - (15) Are the level of reserves appropriate and what is the logic behind that level?

CONCLUSION

Scrutiny of the Council's budget was a role that was not exercised by Scrutiny last year and is something that your Scrutiny officer is keen to expand in line with good practice from other authorities.

This report is the start of the process for this year and once the Council's new Director of Finance is in place officers will consider how to develop Scrutiny's role in the budget process for the rest of this year and future years. Following those discussions a report will be submitted to this committee.

List of Appendices

- (A) Report to Resource Planning Working Group Review of Medium Term Financial Strategy
- (B) Report to Resource Planning Working Group Review of Council Priorities for Resource Allocation 2009/10
- (C) Report to Resource Planning Working Group Identification of Strategic Business Risks
- (D) Report to Resource Planning Working Group Budget timetable

List of Background Documents:

None

REVIEW OF MEDIUM TERM FINANCIAL STRATEGY

EXECUTIVE MEMBER: Cllr A Holliday
LEAD OFFICER: Liam Murphy, Chief Executive
REPORT AUTHOR: Marilyn Robinson, Acting Head of Finance and
Management Information Systems

Summary:

This report proposes that Members review the Council's Medium Term Financial Strategy.

Recommendation:

That Members note the Medium Term Financial Strategy and the pressures identified for the 2009/10 revenue and capital budget.

1 INTRODUCTION

- 1.1 The purpose of this report is to review the Medium Term Financial Strategy (MTFS), approved by Full Council on 26 February 2008, and to identify known pressures on the budget for 2009/10.
- 1.2 The MTFS brought together the Budget Strategy, Capital Programme, Reserves Strategy and the Treasury Management Strategy. It outlines how the Council intends to manage its resources over the next 3 years.

2 3 YEAR BUDGET STRATEGY

- 2.1 The 3 Year Budget Strategy is shown at Appendix A. Once the 2007/08 Statement of Accounts have been finalised, the Budget Strategy can be updated.

2.2 In order to comply with the 3 Year Budget Strategy, the main points to bear in mind for the 2009/10 revenue budget are:-

- **government funding** has already been set for 2009/10 and 2010/11 i.e. there will be no increase in funding [see Total Central Government Support at Appendix A]

This comprises:

	2008/09 £'000	2009/10 £'000	2010/11 £'000
Revenue Support Grant	7,151	7,187	7,222
Working Neighbourhood	1,000	1,000	1,000
Safer Stronger Communities	413	258	-
Total	8,564	8,445	8,222

- **funding from Council Tax assumes a 4.7% increase for 2009/10 made up of a 3.9% rise in Council Tax and the balance from an increase in the Council Tax base.**
- **government efficiency targets require 3% savings each year – the target for savings in the 2009/10 budget amounts to £318k.**
- **The strategy has budgeted for extra income of £156k from Fees and Charges.** [Need to consider charging for services which are currently free of charge]
- **£118k has been allowed for pressures on the budget / growth** [e.g. higher than average inflation rate on fuel, potentially higher charges on newly tendered contracts for insurance and banking services, reduced interest earned as cash balances reduce by using reserves to fund the budget, demand exceeding available funding for concessionary fares, job evaluation implementation.]
- **£407k has been allowed for inflation, including increments**

2.3 The capital programme, including slippage, is being monitored by the Executive. Progress will be reported to this Committee at the October meeting.remaining.

3 RISKS IDENTIFIED

- 3.1 Risks identified at this stage include:-
- the Council tax base does not increase due to a downturn in new build / renovations bringing property back into use;
 - savings of £318k cannot be found;
 - extra £156k income from fees & charges cannot be raised;
 - the impact of inflation is greater than £407k;
 - the Council does not generate any useable capital receipts.

4 OPTIONS

- 4.1 The RWPG confirm the existing budget strategy.
- 4.2 The RWPG recommend amendments to the budget strategy at Appendix A to be considered by the Executive and approved by Full Council.

5 FINANCIAL AND HUMAN RESOURCES IMPLICATIONS (INCLUDING SOURCES OF FINANCE)

- 5.1 Resources will be allocated in line with the Budget Strategy.

6 PROJECT AND RISK MANAGEMENT

- 6.1 The budget process will be timetabled. Risks will be identified and monitored throughout the budget process.

7 IMPACT ON CORPORATE PLAN

- 7.1 The budget and monitoring process is fully integrated into the planning process of the Council embracing all the corporate objectives.

List of Appendices: Appendix A Review of Medium Term Financial Strategy

List of Background Documents: None

Consultees: Corporate Team

Review of Medium Term Financial Strategy

BUDGET STRATEGY

Ref No.	2007/08	2008/09	2009/10	2010/11
General Fund	£'000	£'000	£'000	£'000
Base budget b/fd	10,158	10,606	12,309	12,360
3% savings target	-338	-305	-318	-369
fees and charges price increase	-76	-151	-156	-160
pressures/growth	490	1,772	118	64
inflation including increments	372	387	407	418
1 Budget Requirement	10,606	12,309	12,360	12,313
2 Expenditure Funded from Reserves	1,670	1,665	1,695	1,695
3 Total Operating Budget	12,276	13,974	14,055	14,008
Funded from:				
4 Total Central Government Support	7,029	8,564	8,445	8,222
<i>% increase in base budget year on year</i>		21.8%	-1.4%	-2.6%
<i>% average increase year on year</i>		5.9%	5.9%	5.9%
District Council Tax Requirement (3.9% increase)	3,577	3,738	3,915	4,091
Collection Fund Surplus		7		
5 Total Government Support and Council Tax	10,606	12,309	12,360	12,313
6 Reserves Strategy:				
General Reserve - Opening Balance	2,442	1,434	1,434	1,434
transfer to earmarked reserves	-1,008			
General Reserve - Closing Balance	1,434	1,434	1,434	1,434
Earmarked Reserves - Opening Balance	6,452	6,498	4,981	3,444
Transferred from General reserves	1,008			
Contributions to earmarked reserves	708	148	158	148
Utilisation of reserves	-1,670	-1,665	-1,695	-1,695
Earmarked Reserves - Closing Balance	6,498	4,981	3,444	1,897
Total Reserves (general + earmarked)	7,932	6,415	4,878	3,331
Analysis of Closing Balance:				
General Reserve	1,434	1,434	1,434	1,434
Renovation Grants	1,214	714	214	
Future commitments	2,284	2,267	2,230	1,897
Working Neighbourhood Fund	3,000	2,000	1,000	
Total	7,932	6,415	4,878	3,331
Note :				
The Budget Requirement excludes parish precepts of :		369		
Budget Requirement as above plus Parish Precept		12,678		

REVIEW OF COUNCIL PRIORITIES FOR RESOURCE ALLOCATION 2009/10

EXECUTIVE MEMBER: Cllr A Holliday
LEAD OFFICER: Liam Murphy, Chief Executive
REPORT AUTHOR: Marilyn Robinson, Acting Head of Finance and
Management Information Systems

Summary:

This report proposes that Members review the Council's priorities established through consultation in 2007/08.

Recommendation:

That Members confirm the priorities for resource allocation in the 2009/10 revenue and capital budget.

1 INTRODUCTION

- 1.1 The purpose of this report is to review the Council's priorities established through consultation with the public and parish councils in 2007/08 and recommended by the Resource Planning Working Group to the Executive for approval. Members should now confirm the priorities for resource allocation in the 2009/10 revenue and capital budget.

2 PRIORITIES IDENTIFIED IN 2007/08

- 2.1 The Executive, on 27 November 2007, approved the 6 priorities listed below as the top priorities but retained all the Corporate Plan priorities as a framework for the allocation of resources.
- 2.2 The top 6 priorities identified were:-
- Providing high quality, clean streets and open spaces;
 - Ensuring the area has good roads and good public transport;
 - Creating enough, different jobs to suit all;
 - Making Copeland a safer place to be;
 - Improving skills and education and keeping people with skills in Copeland; and
 - Giving everyone good customer service.

2.3 The remaining 8 priorities related to:-

- Making sure that Copeland has a say on regional and national issues;
- Working with the right partners to help each other achieve shared goals;
- Regenerate Copeland;
- Providing quality housing for everyone;
- Giving people the chance to get involved in their community;
- Giving everyone the chance to access opportunities and services;
- Encouraging a wider range of leisure and cultural activities; and
- Encouraging people to be healthy.

3 OPTIONS

- 3.1 The RWPG confirm that the existing priorities outlined at para. 2 above should continue to form the basis for prioritizing resource allocation in the 2009/10 budget.
- 3.2 The RWPG recommend amendments to the priorities outlined at para. 2 above to the Executive.

4 FINANCIAL AND HUMAN RESOURCES IMPLICATIONS (INCLUDING SOURCES OF FINANCE)

- 4.1 Resources will be allocated in line with the Medium Term Financial Strategy.

5 PROJECT AND RISK MANAGEMENT

- 5.1 The budget process will be timetabled and risks identified.

6 IMPACT ON CORPORATE PLAN

- 6.1 The budget and monitoring process is fully integrated into the planning process of the Council embracing all the corporate objectives.

List of Appendices: None

List of Background Documents: None

Consultees: Corporate Team

IDENTIFICATION OF STRATEGIC BUSINESS RISKS

EXECUTIVE MEMBER: Cllr A Holliday
LEAD OFFICER: Liam Murphy, Chief Executive
REPORT AUTHOR: Marilyn Robinson, Acting Head of Finance and
Management Information Systems

Summary:

This report highlights the strategic business risks arising from the budget strategy for 2009/10.

Recommendation:

That Members note the strategic business risks arising from the budget strategy for 2009/10.

1 INTRODUCTION

- 1.1 Members reviewed the Medium Term Financial Strategy at the RPWG meeting on 14 August 2008. A number of risks were identified. This report outlines how those risks can be addressed at Appendix A.

2 OPTIONS

- 2.1 The RWPG consider if any amendments are required to the risk register shown at Appendix A. The risks will then be recorded on the Covalent system for regular monitoring.

3 FINANCIAL AND HUMAN RESOURCES IMPLICATIONS (INCLUDING SOURCES OF FINANCE)

- 3.1 None directly arising from this report.

4 PROJECT AND RISK MANAGEMENT

- 4.1 The budget process will be timetabled and risks managed in line with Appendix A.

5 IMPACT ON CORPORATE PLAN

- 5.1 The budget and monitoring process is fully integrated into the planning process of the Council embracing all the corporate objectives.

List of Appendices: **Appendix A** Risk Register

List of Background Documents: None

Consultees: Cllr Elaine Woodburn, Cllr Allan Holliday, Corporate Team

APPENDIX A: BUDGET STRATEGY 2009/10 RISK REGISTER

Key: 1 Low; 2 Medium; 3 High

No.	Description	Impact	Likelihood	Total Score	Controls in place	Is risk controlled?	Owner
1	The Council Tax base does not increase .	1	3	3	Position will be monitored in October	Yes	Head of Finance
2	Savings of £318k cannot be found.	3	2	6	Managers have been alerted early in the budget process (21/8/08) that cash savings of £318k are needed and requested to carry out service reviews to identify these. Proposals to be submitted to RPWG for consideration. Risk reserve £107k, which would need to be replaced in following year.	Partly	Chief Executive & Head of Finance

No.	Description	Impact	Likelihood	Total Score	Controls in place	Is risk controlled?	Owner
3	Additional £156k income from fees & charges cannot be raised.	2	3	6	This represents a 3.3% increase on the 2008/09 budgeted increase in fees & charges. Therefore, the half-year position will be monitored to see if the budgeted 08/09 level is likely to be achieved. The risk will then be reviewed. Risk reserve £137k, which would have to be replaced the following year.	Partly	Head of Finance

No.	Description	Impact	Likelihood	Total Score	Controls in place	Is risk controlled?	Owner
4	The impact of inflation is greater than £407k.	3	2	6	Inflation, including pay award and increments on salaries, is included at 4%. RPI is likely to exceed 4%. Risk reserve £212k, which would have to be replaced the following year.	Partly	Head of Finance
5	The cost of implementing job evaluation scheme exceeds the budget provision.	3	1	3	Additional £450k in base budget. Provision made for protection and backpay. New financial model will be used to build salary budget in September 08. Position will be reviewed.	Yes	Head of Finance

No.	Description	Impact	Likelihood	Total Score	Controls in place	Is risk controlled?	Owner
6	The Council does not generate any useable capital receipts	3	2	6	Asset management plan is in place. Disposals in the pipeline for 2008/09. Position will be monitored and reviewed in respect of capital commitments. Existing commitments are within budget.	Yes	Head of Finance

COPELAND BOROUGH COUNCIL
2009/10 REVENUE AND CAPITAL BUDGET
DRAFT TIMETABLE (version 6 prepared 7 October 2008)

Previous Date as per Version 3 prepared 12 Sept 08	Current Date	Purpose	Who	Date Actioned	By Who	How	Further action date	
09-Dec-08	09-Dec-08	Executive Meeting Deadline Executive Meeting	JC					
11-Dec-08	09-Dec-08	Resource Planning Working Group Deadline						
18-Dec-08	16-Dec-08	Resource Planning Working Group						
23-Dec-08	23-Dec-08	Executive Meeting Deadline	JC/PR					
		<i>Consultation Process - decided on information / communication later in cycle</i>						
05-Jan-09	05-Jan-09	Memorandum Expires (Jensen dates to be confirmed)	RPWG supported by Corporate Team					
06-Jan-09	06-Jan-09	to present the details of the 2009/10 budget for both revenue and capital to the Council						
06-Jan-09	06-Jan-09	Executive Meeting	JC					
06-Jan-09	06-Jan-09	Resource Planning Working Group Deadline						
15-Jan-09	15-Jan-09	Resource Planning Working Group						
16-Jan-09	16-Jan-09	Special OSC Management Meeting Deadline						
23-Jan-09	23-Jan-09	Special OSC Management Meeting	JC					
22-Jan-09	20-Jan-09	Resource Planning Working Group Deadline						
29-Jan-09	29-Jan-09	Resource Planning Working Group	JC					
03-Feb-09	03-Feb-09	Special Executive Meeting Deadline						
17-Feb-09	17-Feb-09	Special Executive Meeting	JC					
09 Feb 08 (eventual)	09 Feb 08 (eventual)	Skeddy Meeting with Business Representatives	JC/PR					
05-Feb-09	03-Feb-09	Resource Planning Working Group Deadline						
12-Feb-09	12-Feb-09	Resource Planning Working Group						
03-Feb-09	03-Feb-09	Full Council Meeting Deadline						
24-Feb-09	24-Feb-09	Full Council Meeting	Corporate Team					
19-Feb-09	17-Feb-09	Resource Planning Working Group Deadline						
26-Feb-09	26-Feb-09	Resource Planning Working Group	RPWG					
		Review and start 2010/11!						