

REPORT TO: Cabinet
Council

DATE: 26 February 2009
26 February 2009

SUBJECT: Revenue Budget 2009/2010 – Budget Update

WARDS AFFECTED: All

REPORT OF: **Paul Edwards**
Finance and Information Services Director
0151 934 4082

CONTACT OFFICER: **Lynton Green**
Senior Assistant Finance & IS Director
0151 934 4096

EXEMPT/CONFIDENTIAL: No

PURPOSE/SUMMARY:

To advise Cabinet of current issues relating to the completion of the 2009/2010 budget process.

REASON WHY DECISION REQUIRED:

The Council must set a budget and a Council Tax by 10 March 2009 at the latest.

The Council's Constitution, in accordance with Statute, requires the Cabinet to propose a budget to Budget Council.

RECOMMENDATION(S):

Cabinet is recommended to:

1. Note the confirmed impact of external levies on the Council Tax;
2. Note the Finance and Information Services Director's assessment on the robustness of the each of the three Party Group Proposals;
3. Consider any comments from the Overview and Scrutiny Committee;
4. Recommend a Budget to Council for 2009/2010;
5. Note the intention to provide a verbal update on the precepts from the Police and Fire Authorities; and
6. Note the final Parish Precepts for 2009/2010.

KEY DECISION:

No, this report does not represent a key decision in itself but it does form an integral part of the Budget process for 2009/2010, which is a key decision for the Council.

FORWARD PLAN:

No – see above

IMPLEMENTATION DATE: Following the expiry of the call-in period for this meeting.

ALTERNATIVE OPTIONS: There are no alternatives. The Council must set a budget and a Council Tax by 10 March 2009 at the latest.

IMPLICATIONS:

Budget/Policy Framework: Decisions taken as a consequence of this report will influence the Council's Revenue Budget and Council Tax for 2009/2010 and thereby shape the Council's financial plans for that year.

Financial: See above

<u>CAPITAL EXPENDITURE</u>	2008/ 2009 £	2009/ 2010 £	2010/ 2011 £	2011/ 2012 £
Gross Increase in Capital Expenditure	N/a	N/a	N/a	N/a
Funded by:				
Sefton Capital Resources	N/a	N/a	N/a	N/a
Specific Capital Resources	N/a	N/a	N/a	N/a
<u>REVENUE IMPLICATIONS</u>				
Gross Increase in Revenue Expenditure	N/a	N/a	N/a	N/a
Funded by:				
Sefton funded Resources	N/a	N/a	N/a	N/a
Funded from External Resources	N/a	N/a	N/a	N/a
Does the External Funding have an expiry date? Y/N	When?			
How will the service be funded post expiry?				

Legal: The Council is required to set a Budget and Council Tax level by 10 March 2009.

Risk Assessment: None

Asset Management: None

CONSULTATION UNDERTAKEN/VIEWS

CORPORATE OBJECTIVE MONITORING:

<u>Corporate Objective</u>		<u>Positive Impact</u>	<u>Neutral Impact</u>	<u>Negative Impact</u>
1	Creating a Learning Community		√	
2	Creating Safe Communities		√	
3	Jobs and Prosperity		√	
4	Improving Health and Well-Being		√	
5	Environmental Sustainability		√	
6	Creating Inclusive Communities		√	
7	Improving the Quality of Council Services and Strengthening local Democracy	√		
8	Children and Young People		√	

LIST OF BACKGROUND PAPERS RELIED UPON IN THE PREPARATION OF THIS REPORT

1 Introduction

- 1.1 The Council is legally required to fix its budget and set a Council Tax for 2009/2010 by 10 March 2009. A special budget Council has been arranged for 26 February 2009.
- 1.2 Cabinet on 5 February 2009 referred the Liberal Democrat Party Group proposed budget for 2009/2010 to the Overview and Scrutiny (O&S) Committee (Performance and Corporate Services) for its consideration and requested comments on the proposed budget. The proposed budgets from the Labour and Conservative Party Groups have since been agreed and they were also forwarded to O&S Committee for consideration. This report asks Members to consider the comments received from the O&S Committee, note the amendments to the overall budget due to the confirmed levies, and to recommend a budget to this evening's Special Budget Meeting of the Council.

2 Current Position

- 2.1 Since the last report, the relevant authorities have now approved all levies and the additional impact on Sefton's Council Tax of 0.70% has been confirmed. The final levies are shown in the table below.

Levying Body	Levy 2008/2009 £	Final Levy 2009/2010 £	Net Increase £	Increase %
Merseyside Passenger Transport Authority	22,562,000	23,422,000	860,000	3.81
Waste Disposal Authority	12,285,393	12,809,122	523,729	4.26
Environment Agency	141,324	145,827	4,503	3.19
Sea Fisheries	43,540	44,802	1,262	2.90
Port Health Authority	95,700	99,500	3,800	3.97
	35,127,957	36,521,251	1,393,294	3.97

Recommendation 1:

Note the confirmed impact of external levies on the Council Tax.

3 Finance and Information Services Director's Assessment of the 2009/2010 Party Group Proposals

- 3.1 In accordance with the Local Government Act 2003, the Council's Section 151 Officer, the Finance and Information Services Director is required to provide a statement on the proposed Revenue Budget in relation to the Robustness of Budgets and Adequacy of Reserves. Cabinet on 5 February 2009 referred the draft budget of the Liberal Democrat Group to Overview and Scrutiny Committee for consideration. Subsequent to that meeting the Labour and Conservative Groups have finalised their budget proposals. Each of these budgets are attached at **Annexes A1 – 3** respectively.

- 3.2 Having reviewed the three budget proposals, the Finance and Information Services Director considers that the key elements of each budget are not materially different. There are some minor variations in the provisions for certain costs and alternative growth proposals in each of the Groups' budgets but the below assessment is equally valid for all budgets.
- 3.3 **Level of Balances** - The Finance and Information Services Director has recommended a minimum annual increase in unallocated general balances of £0.500m. The draft budget provides for this minimum amount in 2009/2010, taking general balances to £3.860m at 31 March 2010.

This continues the recent progress towards a more appropriate level of unallocated balances for an authority of Sefton's type and size.

Notwithstanding these comments, it is essential that balances at the end of 2009/2010 are as budgeted and expenditure is managed within approved budgets.

In addition to these unallocated balances, the proposed budget incorporates a number of reserves earmarked for specific liabilities. The most significant of these reserves, the Modernisation Reserve, holds £2.5m of uncommitted resources to meet one-off expenditure costs in 2009/2010 and future years. It is anticipated that this Fund will be increased by a one-off contribution of £1.5m from the Insurance Fund.

Furthermore, Cabinet on 5 February 2009 agreed to establish a Budget Pressures Reserve to address unpredictable and non-absorbable costs due to increasing demand, excess inflationary costs and the impact of the current economic situation. It is anticipated that this Reserve will be established by an initial one-off contribution of around £1.5m from the Insurance Fund, topped up by an additional figure in each of the party proposals.

The process for Service Directors to access this Reserve is currently in development and will be presented to Cabinet as part of the MTFP Update report on 19 March 2009. The availability and controls around these resources will improve the stability and financial standing of the proposed budget.

- 3.4 **Robustness of Budgets** - The key areas of budgetary risk for the Council in 2009/2010 relate to known areas of demand led pressures, the outcome of the Pay and Grading exercise, the National Pay Award and inflation, together with the impact of the current economic situation. Each of the issues are, to a certain extent, externally driven and the Authority has limited opportunity to eliminate any additional costs.
- i. **Demand Led costs** – These services have been considered separately from all other services and special provision has been made in the draft budget to address the following anticipated pressures:
 - Agency services on health and social care;
 - Children's agency budgets; and
 - Associated increases in the cost of transporting clients.

The 2009/2010 MTFP originally allocated £1m additional funding for these priority services, however each of the draft party budgets propose to increase these resources to more than £3m in accordance with the advice of the Finance and Information Services Director.

Despite this there remains uncertainty around these costs, in particular in relation to the impact of the forthcoming enquiries into the recent Haringey/Baby P case. However, the existence of the Budget Pressures Reserve will support the Council's overall financial standing.

- ii. **Job evaluation / Equal Value costs** – the Council is currently finalising its job evaluation exercise to introduce a new pay structure. The final cost of this exercise will be determined by a number of factors yet to be agreed. The Council's Modernisation Reserve is considered adequate to meet the anticipated costs of this review.
- iii. **National Pay Award and Inflation** – all three budget proposals exclude any provision for the impact of any inflationary pressures on departmental budgets, with the exception of Priority Services for which 2% has been provided. This is a unique decision for the Authority and clearly will not be realistic or appropriate for all types of expenditure in all services. However, it is based on the recent and forecast movements in the Consumer Price Index (CPI), and is in the context of additional contributions to the Budget Pressures Reserve to meet any unavailable **and** non-absorbable price rises.

Similarly, the individual budget proposals include provision for the 2009 Pay Award at between 1.75% and 1.9%. In the context that the 2008 Pay Award remains unconfirmed at the current offer of 2.47% there is a case that the proposals are too low. However, given the forecast level of inflation and general economic situation it is not considered that there is a significant risk of a **substantial** shortfall in funding for the budget.

- iv. **Current Economic Situation** – Members will be fully aware of the downturn in the worldwide economic climate. Whilst the implications of this situation have been reflected in a revision in the forecast return on investments there are likely to be other less predictable variations.

Generally, the draft base budget rolls forward existing income levels for all services but there is already a downturn in income for Planning, Building Control and Land Charge services. Service Directors will be expected to review their existing service **costs** if income levels fall although the Budget Pressures Reserve will be available to avoid any unavoidable increased costs.

3.5 **Implications on Future Years** – As in previous years the position presented within the MTFP has already highlighted a budget gap in future years. Unlike previous years however, the budget proposals have not been balanced by the use of one-off efficiencies. It is anticipated that this development should minimise the increase in the budget gap in future years. The MTFP for 2010/2011 – 2012/2013 will be presented to Cabinet in March 2009. Following the introduction of three-year settlements there will be less uncertainty for future years but the following factors will influence the actual budget position:

- i. Capital Programme New Starts
- ii. Pay and Grading Review
- iii. Government Spending Review 2009

3.6 **Summary of the Finance and Information Services Director's Assessment**

The above statement identifies the key risks that the Council faces financially over the next financial year and, whilst there are certainly areas of risk and unpredictable challenges, all three budget proposals are acceptable. However, the final Council budget has yet to be prepared and relevant Members will need to take account of the issues set out in this report in finalising the 2009/2010 budget.

Recommendation 2:

Note the Finance and Information Services Director's assessment on the robustness of the each of the three Party Group Proposals.

4 Comments from Overview & Scrutiny Committee

- 4.1 As part of the ongoing process of involving Overview & Scrutiny Committees in the budget setting process, Members have been kept informed through regular updates. The budget report to Cabinet on 5 February 2009 has been passed to the Overview & Scrutiny (Performance and Corporate Services) Committee for consideration.
- 4.2 Overview & Scrutiny (Performance and Corporate Services) Committee considered the report at their meeting on 17 February 2009. Any comments from the Committee will be circulated separately prior to the meeting.

Recommendation 3:

Consider any comments from the Overview & Scrutiny Committee.

5 Budget Recommendation to Council

- 5.1 Having considered comments from the Overview & Scrutiny Committee, Cabinet is requested to recommend a Budget for consideration at tonight's Council meeting.

Recommendation 4:

Recommend a Budget to Council for 2009/2010.

6 Joint Authority Precepts

- 6.1 The Police Authority are due to approve their budget / precept for 2009/2010 on 19 February, with the Fire and Civil Defence Authority meeting on the afternoon of 26 February 2009. The decisions from these meetings will be verbally reported to Cabinet.
- 6.2 It should be noted that any Government capping intervention in relation to these precepts will be issued directly to the Joint Authorities.

7 Parish Precepts

7.1 All Parish Precepts have now been set for 2009/2010; they are set out below for information: -

Parish	2008/2009		2009/2010		
	Precept £	Addition to Council Tax (Band D) £ p	Precept £	Addition to Council Tax (Band D) £ p	Change in Band D %
Aintree	125,000	54.63	125,000	54.67	0.08
Formby	35,000	3.68	35,000	3.69	0.24
Hightown	3,750	4.22	3,750	4.19	-0.63
Ince Blundell	1,375	7.13	1,450	7.59	6.46
Little Altcar	2,500	8.57	2,500	8.70	1.49
Lydiate	129,862	57.86	149,862	66.64	15.17
Maghull	627,912	87.20	636,678	88.84	1.88
Melling	18,000	16.41	18,000	16.50	0.55
Sefton	3,500	14.80	3,500	14.95	1.03
Thornton	4,000	4.87	4,500	5.52	13.39
	950,899		980,240		

Recommendation 5:

Note the intention to provide a verbal update on the precepts from the Police and Fire Authorities.

Recommendation 6:

Note the final Parish Precepts for 2009/2010.

8 Recommendations:

Cabinet is recommended to:

1. Note the confirmed impact of external levies on the Council Tax;
2. Note the Finance and Information Services Director's assessment on the robustness of the each of the three Party Group Proposals;
3. Consider any comments from the Overview & Scrutiny Committee;
4. Recommend a Budget to Council for 2009/2010;
5. Note the intention to provide a verbal update on the precepts from the Police and Fire Authorities; and
6. Note the final Parish Precepts for 2009/2010.

Annex A1**Budget Proposal of the Liberal Democrat Group**

	£m	£m
1 Base Budget as at 22 January 2009		235.880
2 Less Use of ABG for Key Priorities		-2.306
3 Less Reduction in Pension Fund Provision		-0.200
4 Less Reduction in Pay award Provision to 1.8%		<u>-0.193</u>
		233.181
Plus Priority Service Growth:		
5 Adult Social Care	1.750	
6 Children's Services - Looked After Children	0.750	
7 Specialist Transport Unit	<u>0.750</u>	
	3.250	
8 Less Existing MTFP Provision	<u>-1.000</u>	
9 Additional Provision for Priority Services Growth		2.250
Plus Other Service Growth		
10 Provision for Capital Financing Costs for new capital schemes	0.067	
11 Graffiti - 1 additional team	0.080	
12 Hillsborough Memorial refurbishment	0.002	
13 Scrutiny Function - Research/Support Costs	0.015	
14 Review of Electoral / Scrutiny Staffing	0.015	
15 Double rating	0.085	
16 Shop Mobility	0.025	
17 Other Growth Previously Agreed	0.111	
18 Tree Planting / Arboricultural Services	<u>0.020</u>	
	0.420	
19 Less Existing MTFP Provision	<u>-0.500</u>	
20 Reduced Provision for Other Services Growth		-0.080
Less Other Savings Proposals		
21 Introduction of additional green bins	-0.080	
22 Restructure of Arts Development	<u>-0.018</u>	
		-0.098
23 Additional Contribution to Budget Pressures Reserve		<u>0.300</u>
24 Draft Base Budget 2009/10		<u>235.553</u>

	%
Sefton Services Council Tax Increase	2.18
Plus Levies Services Council Tax Increase	<u>0.70</u>
Overall Sefton Council Tax Increase	<u>2.88</u> *
* Police, Fire and Parish Precepts are in addition to this total	

Annex A2

Budget Proposal of the Labour Group

	£m	£m
1 Base Budget as at 22 January 2009		235.880
2 Plus Delete Leisure Savings - Leisure Centres Review		0.102
3 Plus Delete Leisure Savings - Arts Development		0.030
4 Plus Delete Environmental Protection - Dog Warden		0.030
5 Less Use of ABG for Key Priorities		-2.306
6 Less Reduction in Pension Fund Provision		-0.200
7 Less Improved Efficiencies in Procurement		-0.200
8 Less Reductions in Advertising/Marketing		-0.050
9 Less Reductions in Use of Consultants		-0.050
10 Less Reduction in Provision for Pay Award to 1.9%		-0.097
		<u>233.139</u>
Plus Priority Service Growth:		
11 Adult Social Care	1.850	
12 Children's Services - Looked After Children	0.750	
13 Specialist Transport Unit	<u>0.750</u>	
	3.350	
14 Less Existing MTFP Provision	<u>-1.000</u>	
15 Additional Provision for Priority Services Growth		2.350
Plus Other Service Growth		
16 Provision for Capital Financing Costs for new capital schemes	0.068	
17 Land Drainage Emergency Pressures	0.010	
18 Stray Dogs - Out of Hours Service	0.015	
19 Hillsborough Memorial Refurbishment	0.002	
20 Other Growth Previously Agreed	0.111	
21 Unallocated Growth	<u>0.044</u>	
	0.250	
22 Less Existing MTFP Provision	<u>-0.500</u>	
23 Reduced Provision for Other Services Growth		-0.250
24 Additional Contribution to Budget Pressures Reserve		<u>0.200</u>
25 Draft Base Budget 2009/10		<u>235.439</u>

	%
Sefton Services Council Tax Increase	2.08
Plus Levies Services Council Tax Increase	<u>0.70</u>
Overall Sefton Council Tax Increase	<u>2.78</u> *
* Police, Fire and Parish Precepts are in addition to this total	

Notes:

1. This budget represents the lowest ever Council Tax increase in Sefton since the introduction of Council Tax in 1992/93.

2. The Area Based Grant residual funding of £24.2m must be reviewed to ensure that it is applied to support the achievement of LAA targets.

Annex A3**Budget Proposal of the Conservative Group**

	£m	£m
1 Base Budget as at 22 January 2009		235.880
2 Less Reduced provision for Pay Award to 1.75%		-0.241
3 Less Use of ABG for Key Priorities		-2.306
4 Less Staffing review following downturn in economy		-0.100
5 Less Reduction in Pension Fund Provision		-0.200
		<u>233.033</u>
Plus Priority Service Growth:		
6 Health and Social Care	1.750	
7 Children's Services - Looked After Children	0.750	
8 Specialist Transport Unit	0.750	
	<u>3.250</u>	
9 Less Existing MTFP Provision	-1.000	
10 Additional Provision for Priority Services Growth		2.250
Plus Other Service Growth		
11 Provision for Capital Programme New Starts	0.068	
12 Land Drainage Emergency Pressures	0.010	
13 Street Name Plates	0.030	
14 Hillsborough Memorial Refurbishment	0.002	
15 Other Growth Previously Agreed	0.111	
16 Review of Electoral Staffing	0.006	
17 Tree Planting / Arboricultural Services	0.020	
	<u>0.247</u>	
18 Less Existing MTFP Provision	-0.500	
19 Additional Provision for Other Services Growth		-0.253
20 Additional Contribution to Budget Pressures Reserve		0.300
21 Draft Base Budget 2009/10		<u>235.330</u>

	%
Sefton Services Council Tax Increase	1.99
Plus Levies Services Council Tax Increase	<u>0.70</u>
Overall Sefton Council Tax Increase	<u>2.69</u> *
* Police, Fire and Parish Precepts are in addition to this total	

The Conservative Group recognise that Council Tax increases should be kept to a minimum, particularly in the current economic climate. We must, however, protect core budgets like Care for the Elderly and protection for the vulnerable. Over the next year staffing levels should be reviewed and, where appropriate, streamlined to reflect the present economic climate and help limit the Council Tax rises for 2010/11 and beyond.