

Bolton Council

Report to: THE EXECUTIVE

Date: 13TH FEBRUARY 2009

Report of: DIRECTOR OF CORPORATE RESOURCES Report No:

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DIRECTOR OF CORPORATE RESOURCES

Report Title: **2009/10 Budget Report**

Purpose:

1. To consolidate Service Budgets to provide the Council's overall 2009/10 Budget
2. To show the transactions on the Collection Fund for Bolton MBC
3. To report on the Financial Arrangements Accounts for 2009/10

Recommendations:

It is recommended that the Executive recommend to Budget Council on the 25th February 2009 for approval:-

- (a) The Budget for 2009/10
- (b) The Council Tax for 2009/10

Background Doc(s):

Statement on Local Government Finance (England) Revenue Support Grant for 2009/10 and related matters papers dated 21st January 2009.

1. BACKGROUND

- 1.1 At the meeting of The Executive on the 12th January 2009 initial budget guidance was approved. This guidance was based upon the following:
- (a) That the Executive note the updated Revenue Budget position for 2009/10
 - (b) That all services be asked to deliver the full 5% savings
 - (c) That an additional £200,000 be invested in Looked After Children
 - (d) That a one-off contingency of £250,000 be created to assist Adult Services in phasing in their savings during 2009/10
 - (e) That £200,000 be reallocated from Youth Services to Area Forums, this will be allocated equally across each Forum (ie £10,000 per Ward) but ringfenced to investment in Youth Services
 - (f) That the Executive receive a further report in February for final consideration of the 2009/10 Revenue Budget
- 1.2 The purpose of this report is to draw together Executive Members' responses to the Guidance, update figures as appropriate and:-
- (a) report the budget for 2009/10 indicating the major variances from the 2009/10 original budget;
 - (b) enable The Executive to recommend to the Council the level of Council Tax for 2009/10;
 - (c) show the transactions on the Collection Fund; and
 - (d) report on the Financial Arrangements Account for 2009/10.

The projected 2008/09 outturn expenditure (excluding Schools) is £214.8M and as a consequence of this, General Fund balances are expected to be approximately £7.6M at the 31st March 2009.

- 1.4 The above projected 2008/09 figures also assume spending delegated to schools will be in line with budget. School balances, as required by legislation, are carried forward for the sole use of schools.
- 1.5 Budget setting represents the final phase of the Corporate Business Planning Process for 2009/10.
- 1.6 At the time of preparing this report the Police and Fire Authorities have yet to formally determine their precepts. Figures have been included in this report based upon the reports being considered by these two Authorities. Should the formal decision be any different to that assumed in this report then updated information will be circulated at the Council meeting.

2. 2009/10 REVENUE SUPPORT GRANT SETTLEMENT

- 2.1 The Government has recently confirmed the Final Revenue Support Grant Settlement for 2009/10 and Revenue Support Grant has been notified at £23.2M and National Non Domestic Rate contributions of £100.6M.
- 2.2 Members will also recall that the Government has in the past provided additional funds via a range of special programmes covering many of the Council's services. In 2008/09 these were replaced by what is known as the "Area Based Grant". The value of this funding in 2009/10 is just over £32M as set out in Appendix 6.
- 2.3 At the Executive meeting on the 2nd February 2009 Members requested that consideration be given to providing additional resources to support the Boroughs economy in the current economic climate. Following a review of resources it has been identified that £250,000 could be made available from the Working Neighbourhoods fund in 2009/10 for this purpose. Members are asked

to consider this suggestion.

2.4 **LABGI**

In the last few days the Government have announced the release of the outstanding LABGI monies which were originally due to be paid earlier this financial year. The Council's share is £429,000. Members will recall that £1.5M LABGI funding was built into the 2008/09 Revenue Budget and earlier this year we received £1.2M. The first £300,000 of this new allocation is therefore required to balance the current year's Budget leaving £129,000 one-off funding available to be considered as part of the 2009/10 Budget.

3. **2009/10 BUDGET**

3.1 The latest projection of the Council's budget is as follows:-

<u>2009/10 Initial Revenue Budget</u>	£000
2008/09 Budget	386,295
Schools Grant - Increase	6,422
LABGI not available in 2009/10	1,500
Building Schools for the future	250
Equal Pay issues	1,500
Non Schools	
Inflation	7,411
Capital Financing	773
Waste/PTA Precepts	1,793
Town Centre Swimming Pool Financing	300
Pensions/Corporate Changes	1,438
Efficiency Savings	-7,487
Agreed New Growth	310
Unallocated	819
Use of Balances	-360

	400,964
Less	
Direct Schools Grant	178,086
RSG/NNDR	123,830
Council Tax at 4.5%	99,048

Savings required	0

3.2 Executive Members and Policy Development Groups have been considering their response to Budget Guidance in the current cycle. Copies of the Executive Member reports are included on the agenda.

Overall Budget Changes

3.3 **GM Organisations** – A series of Challenge meetings have been held with each of the AGMA organisations in order to ensure that budgets are as low as is appropriate. The outcome of these meetings along with other changes put forward by other Greater Manchester Bodies has identified the following:

Waste Disposal – the Waste Disposal Authority's overall budget had been estimated at an increase of 11%.

PTA Levy – the levy is now estimated to be 4.3%.

- 3.4 The 2009/10 budget is analysed by service in Appendix 1 and subjectively in Appendix 2.

Balances/Financial Risks

- 3.5 Members will be aware that I have provided advice on the recommended level of Balances to be maintained as part of previous reports. The full detail including an identification of financial risks is set out in Appendix 8. However, in summary this advice is as follows.
- 3.6 Currently it is estimated that Balances as at the 31st March 2009 will be £7.6M. My advice to Members is that I recommend, as a minimum, Balances of £7.0M or higher should be maintained based upon my understanding of the risks and financial issues facing the Council and the proposals around the Budget, as identified in this report. Should Members wish to agree any additional items for growth or for savings not in this report, then I will need to advise Members as to whether or not those proposals would result in an increase in the financial risk facing the Council and therefore a need for a higher level of Balances to be set as a minimum. This I will do at the meeting.
- 3.7 At the Executive meeting on the 12th January 2009 it was indicated that the Council had £0.61M of balances above the minimum recommended by the Director of Corporate Resources.
- 3.8 At that meeting it was agreed that of this £0.61M a one-off sum of £0.25M should be allocated as a contingency for Adults Services to enable the phasing in of some of their budget changes over 2009/10 and a further one-off sum of £0.11M be used to fund the initial phase of the development of the Planning Framework. These have been reflected in table 3.1 above.

Overall Budget

- 3.9 Based upon the assumptions set out in this report, I consider that the Council's Budget is robust. Should any additional items not included in this report be agreed as part of the 2009/10 Budget, I will further advise Members of the robustness of these items at the meeting.
- 3.10 Based upon the approvals at the January Executive meeting, the following resources remain available for consideration.

Ongoing resources available:	£819,000

One-off resources available, if Members commit all the available	
Balances above the minimum recommended:	£250,000
Available LABGI Funds from 2008/09	£129,000

Total one-off funding available	£379,000
	=====

The issues/options for consideration by members are as follows:-

- i) **The savings and growth identified by services.**
- ii) **The level of Council Tax to be set for 2009/10.**

- 3.11 Any further changes would have the following impact:-

	Council Tax	Budget Change
%	Band A	£000
	Band D	

CT Change	0.1	£0.77	£1.16	95
	0.25	£1.92	£2.89	237
	0.5	£3.84	£5.77	474
	1.0	£7.68	£11.53	948

4. THE FINANCIAL ARRANGEMENTS ACCOUNT

- 4.1 This account deals with the strategic financial transactions which fall outside the remit of any one Service.
- 4.2 The transactions on this account are set out at Appendix 3 along with a brief explanation of major changes.

5. CONSULTATION

- 5.1 The views and comments of the representatives of the Non Domestic Ratepayers and the public who either attended the Area Fora presentations or commented by e-mail or post, are included in a separate report on this agenda.

6. PARISH PRECEPTS

- 6.1 The individual parish precepts are shown below with comparative figures for last year.

	2008/09	2009/10
	£	£
Blackrod	£36,233	£36,233
Horwich	£198,050	£202,365
Westhoughton	£135,841	£135,841

7. AMOUNT TO BE RAISED FROM COUNCIL TAX

- 7.1 As required by the Local Government Finance Act 1992, the Parish Precepts need to be added to Bolton's budget requirement. The recent Government statement has provided final figures for Revenue Support Grant (£23.2M) and National Non Domestic Rate (£100.6M). It should be noted that the National Non Domestic Rate next year is 48.1p in the pound for small businesses and 48.5p in the pound for larger businesses.

8. COUNCIL TAX 2009/10

The figures in the following paragraphs are based upon an indicative Council Tax increase of 4.5%. Section 8 will be amended if necessary for submission to Council to reflect the decisions by the Executive on the Budget and levels of Council Tax and the formal precepting decisions of the Police and Fire Authorities.

Police and Fire Authority Precepts

- 8.1 The Precepts for the Police Authority and the Fire and Civil Defence Authority have been estimated as follows:-

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Band A	Band D	Increase
£	£	%

Police	89.51	134.26	7.5
Fire and Civil Defence	34.28	51.42	3.5

- 8.2 On the basis of a total budget requirement of £223M the balance to be raised from Council Tax is £99.4M as shown below:-

	2008/09		2009/10	
	£000s	£000s	£000s	£000s
Bolton Parish Precepts		214,631 370		222,877 374
Budget Requirement		215,001		223,251
LESS Collection Fund		1,051		0
LESS INCOME		213,950		223,251
Revenue Support Grant	14,621			
National Non Domestic Rates	105,033	119,654	23,222	
			100,608	123,830
Balance to be raised from Council Tax		94,296		99,421

- 8.3 The Council Tax base for tax setting purposes is 82,206 band D equivalent properties.
- 8.4 The basic amount of Council Tax for the part of the Council's area where no Parish Precepts apply but including for the Police and Fire and Civil Defence precepts, is £927.04 for a Band A property and £1,390.55 for a Band D property.
- 8.5 The level of Council Tax for 2009/10 represents an increase of 4.5% for Bolton Council's services and 4.7% with the inclusion of the Police and Fire Service Precepts. For the majority of properties in Band A the increase is under £42 for the year or 80p per week.
- 8.6 The Council Tax bases for tax setting purposes for the Town Council areas are as follows:-

**Tax Base in Band D
Equivalents**

Blackrod	1,671
Horwich	6,698
Westhoughton	7,954

- 8.7 The resultant additional Council Tax in each Town Council area for Band A and Band D properties are as follows:-

	Additional Council Tax Band A £	Additional Council Tax Band D £
Blackrod	£14.45	£21.68

Horwich	£20.14	£30.21
Westhoughton	£11.38	£17.08

- 8.8 The above figures relate to Band A and D properties. The table below shows the total Council Tax for all Bands in the various areas:-

Band	Blackrod £	Horwich £	Westhoughton £	All Other Areas £
A	£941.49	£947.18	£938.42	£927.04
B	£1,098.39	£1,105.03	£1,094.82	£1,081.53
C	£1,255.32	£1,262.90	£1,251.23	£1,236.05
D	£1,412.23	£1,420.76	£1,407.63	£1,390.55
E	£1,726.07	£1,736.49	£1,720.44	£1,699.57
F	£2,039.88	£2,052.20	£2,033.24	£2,008.57
G	£2,353.72	£2,367.94	£2,346.05	£2,317.59
H	£2,824.46	£2,841.52	£2,815.26	£2,781.10

For information Appendix 5 sets out a comparison between the level of Council Tax in 2008/09 and 2009/10 (for those areas which do not include the Parish Council Precept) and the percentage of properties in each band.

- 8.9 Many households (currently 57,090 out of 115,900) will receive reduced Council Tax bills through their Benefits and Personal Discounts. For Council Tax the maximum support through Benefits is 100%. Some households will, therefore, not pay Council Tax. This will be highlighted on their bill. Consequently at this stage it is not possible to give an average bill.

9. OTHER REQUIREMENTS

- 9.1 The Budget contained in this report assumes that the Council Tax is set at the Council Meeting on the 25th February 2009. Should the Council not be able to set the Council Tax on that day then a weeks delay will put back the processing and distribution of Council Tax bills which will incur additional costs.

10. RECOMMENDATIONS

- 10.1 It is recommended that the Executive recommend to Budget Council on the 25th February 2009 for approval:-
- (a) The Budget for 2009/10
 - (b) The Council Tax for 2009/10

GENERAL FUND SUMMARY

	2008/09 Original Estimate	2009/10 Original Estimate
Service *	£000	£000
Children's Services	212,205	218,055
Adults Services	71,411	71,041
Corporate Resources +	48,991	54,370
Environmental Services	25,271	27,088
Development & Regeneration	5,315	5,547
Housing	3,505	3,477
Capital Financing	21,097	21,746
Net Expenditure	387,795	401,324
Parish Precepts	370	374
Sub Total	388,165	401,698
Less LAGBI/Use of Balances	1500	360
Sub Total	386,665	401,338
Income		
Revenue Support Grant	14,621	23,222
National Non Domestic Rate	105,033	100,608
Direct Schools Grant	171,664	178,086
Collection Fund Transfer	95,347	99,422
TOTAL	386,665	401,338

* Service figures excluding depreciation including efficiencies

+ Includes Precepts from the Waste Disposal Authority and the PTA and unallocated resources.

SUBJECTIVE ANALYSIS

	2008/09 Original Estimate	2009/10 Original Estimate
Expenditure	£000	£000
Teachers	141,856	146,094
Salaries	126,918	133,578
Wages	27,892	28,833
Other Employee Expenses	10,358	11,832
Premises	34,787	37,871
Transport	19,063	20,012
Supplies & Services	70,350	71,841
Agency	88,794	94,301
Transfer Payments	73,246	73,324
Transferred Debt & Capital from Revenue	4,011	4,073
Capital Finance	21,097	21,746
Expenditure Gross	618,372	643,505
Income		
Govt Grant	123,748	124,871
Other Contributions	22,500	23,997
C&C Receipts	77,792	77,650
Rents	5,792	6,039
Interest, Dividends & Distributions	2,245	2,497
Income Gross	232,077	235,054
Net Redirections		-7,487
Net Expenditure*	386,295	400,964
* Before Direct Schools Grant of	171,664	178,086

THE FINANCIAL ARRANGEMENTS ACCOUNT

	2008/09 Original £000s	2009/10 New £000s	Comment
Corporate Financing Cost	21,097	21,746	Normal Capital Programme increase £1m, Town Centre Pool financing £0.3m Interest Saving £0.227m Transfer to Revenue £424m
Transferred Debt	1,379	1,365	
Airport Dividends	-275	-275	
Airport Rents (net)	-338	-333	
Waste Disposal	11,785	12,440	Precept awaiting confirmation
Land Drainage Precept	125	125	Precept awaiting confirmation
Transport Precept	16,458	17,130	Precept awaiting confirmation
Former Employee Pensions	932	1,067	Transfer from services
Pay and Grading Provision	5,000	6,500	
Interest / Contributions	-1,964	-2,602	Includes Net External Interest earned Insurance Saving Contributions by services
Building Schools For the Future	450	750	
Debt Management Expenses	150	150	
LABGI Contribution	-1,500	0	No contribution budgeted
Car Parks (Net Income)		-1,249	Transfer from service
Fuel Central Contingency		1,600	
Miscellaneous	20	20	
Recoverable	-35	-55	
Recharges	27	27	
Total	53,311	58,406	

COLLECTION FUND

	2008/09 Original £000	2008/09 Revised £000	2009/10 Budget £000
Expenditure			
Bolton	95,347	95,347	99,422
Police	10,280	10,280	11,037
Fire and Civil Defence	4,091	4,091	4,227
Total Expenditure	109,718	109,718	114,686
Income			
Council Tax	108,518	108,518	114,686
Surplus/(Deficit) for year	(1,200)	(1,200)	0
Balance Brought Forward	1,200	1,200	0
Balance Carried Forward	0	0	0

COUNCIL TAX (NON PARISH COUNCIL AREAS)

Band	Properties %	2008/09 £	2009/10 £	Increase £
A	51.6%	£885.05	£927.04	£41.99
B	16.8%	£1,032.55	£1,081.53	£48.98
C	15.1%	£1,180.06	£1,236.05	£55.99
D	8.6%	£1,327.57	£1,390.55	£62.98
E	4.4%	£1,622.59	£1,699.57	£76.98
F	1.8%	£1,917.60	£2,008.57	£90.97
G	1.5%	£2,212.62	£2,317.59	£104.97
H	0.2%	£2,655.14	£2,781.10	£125.96

Currently 57,090 households out of 115,900 receive personal discounts and/or full or part benefit towards their Council Tax.

EXTERNAL/SPECIAL FUNDS 2009/10 (Provisional Figures)

Area Based Grant	2009/10 £000
14-19 Flexible Funding Pot	88
Adult Social Care Workforce (formerly HRDS & NTS)	800
Care Matters White Paper	288
Carers	1,398
Child Death Review Process (DCSF)	43
Child & Adolescent Mental Health Services	567
Child Trust Fund	11
Children's Social Care Workforce (formerly HRDS and NTS)	106
Children's Fund	948
Choice Advisers	37
Climate Change (new for 2009/10)	22
Cohesion	91
Connexions	3,097
Education Health Partnerships	87
Extended Rights to Free Transport	70
Extended Schools Start Up Costs	910
Learning Disability Development Fund	278
Local Involvement Networks	165
Mental Capacity Advocate Service	180
Mental Health	932
Positive Activities for Young People	734
Preserved Rights	357
Secondary National Strategy – Behaviour and Attendance	68
Secondary National Strategy – Central Co-ordination	196
Preventing Extremism	200
Primary National Strategy – Central Co-ordination	174
Respect/Youth Task Force	55
School Development Grant (LA Element)	1,731
School Improvement Partners	140
School Intervention Grant	89
School Travel Advisors	36
Stronger Safer Communities Fund	258
Stronger Safer Communities Fund (Home Office)	378
Supporting People Administration	174
Sustainable Travel General Duty	23
Teenage Pregnancy	199
Working Neighbourhoods Fund	6,805
Young Peoples Substance Misuse Grant	40
Young Peoples Substance Misuse Grant Partnership	150
Total	21,925
Non ABG Specific Grants	
Supporting People Grant (non ringfenced)	9,102
Drug Intervention Programme (ringfenced)	1,154
GRAND TOTAL	32,181

This lists the specific grants that the Council received which have now been brought together under one overall "Area Based Grant" which is no longer specifically ringfenced by Government to any individual service.

DRAFT SUBSTANTIVE COUNCIL TAX RESOLUTION

- (i) That the following recommendations of the Executive on 13th February 2009 be approved:-
- (a) the Revenue Budget for 2009/10;
 - (b) the Capital Programme for 2009/10; and
 - (c) the Investment and Prudential Indicators and Treasury Strategies 2009/10.
- (ii) That it be noted that, at its meeting on, 10th December 2007, the Executive calculated 82,206 Band D equivalents as its Council Tax base for the year 2009/10 in accordance with Regulation 3 of the Local Authorities (Calculation of Council Tax Base) Regulations 1992, made under Section 33(5) of the Local Government Finance Act 1992.
- (iii) That in accordance with regulations made under Section 34(4) of the Local Government Finance Act 1992 the Council calculate the following amounts for the under-mentioned parts of its area:-

Parish Councils

The Parish of Blackrod	1,671	Band D equivalents
The Parish of Horwich	6,698	Band D equivalents
The Parish of Westhoughton	7,954	Band D equivalents

being the amounts calculated by the Council, in accordance with regulation 6 of the Regulations, as the amounts of its Council Tax base for the year 2009/10 for dwellings in those parts of its area to which one or more special items relate.

- (iv) That the following amounts be now calculated by the Council for the year 2009/10 in accordance with Sections 32 to 36 of the Local Government Finance Act 1992:-
- (a) £717,647,891 being the aggregate of the amounts which the Council estimates for the items set out in Section 32(2)(a) to (e) of the Act
 - (b) £494,396,000 being the aggregate of the amounts which the Council estimates for the items set out in Section 32(3)(a) to (c) of the Act
 - (c) £223,251,891 being the amount by which the aggregate at (a) above exceeds the aggregate at (b) above, calculated by the Council, in accordance with Section 32(4) of the Act as its budget requirement for the year
 - (d) £123,829,909 being the aggregate of the sums which the Council estimates will be payable for the year into its general fund in respect of redistributed non-domestic rates and revenue support grant, increased by the amount of the sums which the Council estimates will be transferred from its Collection Fund to its General Fund pursuant to the Local Authorities (Funds) (England) Regulations 1992 under section 99(3) of the Local Government Finance Act 1988 (Collection Fund Surplus)
 - (e) £1,209.42 being the amount at (c) above less the amount at (d) above, all divided by the amount at (ii) above,

		calculated by the Council, in accordance with Section 33(1) of the Act, as the basic amount of its Council Tax for the year
(f)	£374,439	being the aggregate amount of all special items referred to in Section 34(1) of the Act, each individual parish precept being:-
		Blackrod £36,233
		Horwich £202,365
		Westhoughton £135,841
(g)	£1,204.87	being the amount at (e) above less the result given by dividing the amount at (f) above by the amount at (ii) above, calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no special item relates
(h)	<u>Part of the Council's Area</u>	
		Parish of Blackrod £1,226.55
		Parish of Horwich £1,235.08
		Parish of Westhoughton £1,221.95

being the amounts given by adding to the amount at (g) above the amounts of the special item or items relating to dwellings in those parts of the Council's area mentioned at (f) above divided in each case by the amount at (iii) above, calculated by the Council, in accordance with Section 34(3) of the Act, as the basic amounts of its Council Tax for the year for dwellings in those parts of its area to which one or more special items relate.

(i)	<u>Part of the Council's Area</u>				
	<u>Valuation</u> <u>bands</u>	<u>Parish of</u> <u>Blackrod</u>	<u>Parish of</u> <u>Horwich</u>	<u>Parish of</u> <u>Westhoughton</u>	<u>All other parts</u> <u>of the Council's</u> <u>area</u>
		£	£	£	£
	A	£817.70	£823.39	£814.63	£803.25
	B	£953.98	£960.62	£950.41	£937.12
	C	£1,090.27	£1,097.85	£1,086.18	£1,071.00
	D	£1,226.55	£1,235.08	£1,221.95	£1,204.87
	E	£1,499.12	£1,509.54	£1,493.49	£1,472.62
	F	£1,771.68	£1,784.00	£1,765.04	£1,740.37
	G	£2,044.25	£2,058.47	£2,036.58	£2,008.12
	H	£2,453.10	£2,470.16	£2,443.90	£2,409.74

being the amounts given by multiplying the amounts at (g) and (h) above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation band D, calculated by the Council in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands

- (v) That it be noted that for the year 2009/10 the Greater Manchester Fire and Civil Defence Authority and the Greater Manchester Police Authority have stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings shown below:-

Precepting Authority

<u>Valuation bands</u>	<u>Greater Manchester Fire & Civil Defence Authority</u>	<u>Greater Manchester Police Authority</u>
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A	£34.28	£89.51
B	£39.99	£104.42
C	£45.71	£119.34
D	£51.42	£134.26
E	£62.85	£164.10
F	£74.27	£193.93
G	£85.70	£223.77
H	£102.84	£268.52

(vi) That, having calculated the aggregate in each case of the amounts at (v) (i) and (vi) above, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of Council Tax for the year 2009/10 for each of the categories of dwellings shown below:-

(i) Part of the Council's Area

<u>Valuation bands</u>	<u>Parish of Blackrod</u>	<u>Parish of Horwich</u>	<u>Parish of Westhoughton</u>	<u>All other parts of the Council's area</u>
	£	£	£	£
A	£941.49	£947.18	£938.42	£927.04
B	£1,098.39	£1,105.03	£1,094.82	£1,081.53
C	£1,255.32	£1,262.90	£1,251.23	£1,236.05
D	£1,412.23	£1,420.76	£1,407.63	£1,390.55
E	£1,726.07	£1,736.49	£1,720.44	£1,699.57
F	£2,039.88	£2,052.20	£2,033.24	£2,008.57
G	£2,353.72	£2,367.94	£2,346.05	£2,317.59
H	£2,824.46	£2,841.52	£2,815.26	£2,781.10

- (vii) That the Director of Corporate Resources be delegated authority to collect revenues and disburse monies from the relevant accounts.
- (viii) That it be noted that the Government have set a National Non-Domestic Rate of 48.1p in the pound for small businesses and 48.5p in the pound for larger businesses for the financial year 2009/10.
- (ix) That the Council's current policy in respect of discretionary relief for charitable organisations be reaffirmed and that the Director of Corporate Resources be delegated authority to determine applications for such relief.
- (x) That War Disablement Pensions and War Widows' Pensions be disregarded for the purposes of the Council Tax Benefit (General) Regulations 1992.

- (xi) That the minutes of the proceedings of the Council of the undermentioned Executive Members' recommendations on various associated budgetary matters be noted:-

Adult Services	28th January 2009
Children's Services	26th January 2009
Corporate Strategy & Finance	20th January 2009
Development ,Housing & Regeneration	19th January 2009
Environmental Services and Cleaner, Greener Safer	20th January 2009
Culture, Young People and Sport	19 th January 2009

- (xii) That the minutes of the proceedings of the undermentioned Scrutiny Committees regarding their consideration of specific policy budgets be noted:-

Adult Services	10th February 2009
Children's Services	12th February 2009
Corporate Issues	9th Feb 2009
Development & Regeneration	2nd Feb 2009
Environmental Services	11th Feb 2009

Report to: THE EXECUTIVE

Date: 13TH FEBRUARY 2009

Report of: DIRECTOR OF CORPORATE
RESOURCES

**Report
No:**

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Report Title: **GENERAL FUND BALANCES/FINANCIAL RISKS**

Purpose: To outline the Director of Corporate Resources advice on the Financial Risks facing the Council and the appropriate level of Balances to be maintained.

Recommendations: That the minimum level of Balances for 2009/10 should be £7.0M or higher if possible.

Background Doc(s):

1. INTRODUCTION

The council maintains two types of Revenue reserves, earmarked reserves and general reserves (Balances). Earmarked reserves are set aside for specific purposes/commitments whereas general Balances are maintained to support the overall Council's cashflow and meet any unforeseen contingencies/demands.

This report considers the current level of general Balances, evaluates the reasons why Balances are maintained (i.e. the financial risks facing the Council) and provides advice on the appropriate level of Balances to be maintained by the Council in the light of Guidance from the Chartered Institute of Finance and Accountancy (CIPFA).

2. NEED FOR GENERAL BALANCES

Whilst the Council's annual Budget provides resources to meet any known liabilities or expenditure requirements, Balances are amounts which are set aside to meet unexpected changes in the Budget and to finance demands for resources which cannot be predicted and are assessed on the basis of the financial risks facing the Council.

The requirement for Balances is acknowledged in statute with Section 32 of the 1992 Local Government Finance Act requiring Authorities to have regard to the level of Balances needed to meet estimated future liabilities when calculating their Budget requirement. The Chief Finance Officer has the responsibility to ensure that the Council maintains a balanced Budget with powers under Section 114 of the 1998 Local Government Finance Act to report to the Council should its liabilities be in danger of exceeding its resources. Equally, the External Auditor has a responsibility to review and report on the Council's financial standing. Further requirements within the 2003 Local Government Finance Act reinforce the above with additional monitoring and reporting responsibilities.

In drawing together the Council's capital and revenue budgets and three year financial strategy, the level of general Balances and Financial Risks are always carefully considered. The provision of an appropriate level of Balances is therefore a fundamental part of prudent financial management.

3. MINIMUM LEVEL OF RESERVES

The Audit Commission recommend that Authorities should maintain Balances equivalent to 3% of their Budget, for 2009/10 this would amount to approximately £12M. However, whilst this is recommended guidance, the decision on the appropriate level of Balances is one for the Council, with advice from its Director of Corporate Resources, to determine. There are several factors/financial risks that need to be taken into account in considering what is a prudent level of Balances:

i) Revenue Contingencies

The Council does not maintain a general contingency within its revenue budget but relies on in year savings and Balances to meet any unexpected demands. For example, a pay award 0.5% more than that allowed for in the Budget would cost £650,000, excluding Teachers, or £1.3M including Teachers. A price variation of 0.5% would cost £1M.

ii) Interest

In recent years the Council has been successful in managing the interest that it pays out/receives and savings in this area have generally added to Balances. However, fluctuations in interest rates cannot be totally forecast and given the Council's overall debt of over £390M, an unexpected increase in interest rates would increase the Council's costs.

iii) Capital

The Council now has a significant capital programme in the order of £86M per annum. Within the capital programme there are no contingencies and whilst the programme is actively monitored and managed, there is the potential for a demand on Balances from any capital overspend. In addition because of the economic climate there may be difficulties in generating the level of Capital Receipts assumed in the capital programme. For 2009/10 this has been reduced from £3M to £2M.

iv) Economic Climate

The current downturn in the general economic climate will create pressures for the Council in several ways. Demand for services, particularly those to support business, support those who are unemployed and to process benefits are likely to increase. In addition, several of the income/revenue streams may be affected by reduced demand/take up. Both the above items have been reflected in the budget but the change in demand cannot be absolutely forecast and therefore there may be changes in cost/income levels during the year.

v) Un-predictable Demand Led Expenditure

Significant parts of the Council's Budget, particularly in Social Care Services and Education are "demand led" and as we have seen in previous years, can create significant demands for increased expenditure during the year.

vi) Emergency Planning

The Council is required to maintain provision to meet the cost of emergencies that cannot be met from main Budgets or by Insurance. Significant costs on emergencies are met by Central Government under the "Bellwin Scheme" but these are only triggered once the Council's expenditure has exceeded a pre-determined limit (currently £775,000). Costs above this limit are covered by Central Government but only up to 85%.

vii) Unexpected Demands

Balances also need to provide sufficient resources to meet unexpected demands, particularly those that result from a legal decision, a change in Government legislation or a determination of Government legislation. In recent years the Council has had to fund several major issues of this nature.

viii) Service Deficits

Balances are also required to offset any Budget deficits carried forward or generated during the year by services as allowed under Financial Regulations.

ix) General Risks

It is also important to weigh up the general risks facing the Council and evaluate what any potential financial impact may result from these risks. The Director of Corporate Resources and the Council's Risk Manager have undertaken a review of these risks. The areas with a potentially significant financial impact are as follows:

Economic Climate
Special Funding Programmes Ending
Potential Equal Pay Claims

These have been taken into account in the overall evaluation of the minimum level of Balances to maintain.

x) Specific Issues

Equal Pay

Members will be aware that in order to mitigate some of the Equal Pay risk facing the Council, offers were made to staff who potentially were able to make a claim. This was very successful and the majority of staff accepted the offer.

However, some staff have lodged claims with the Council on a range of Equal Pay issues which may result in a Court case. Whilst the Council would rigorously defend against these claims, it is possible that some may be successful. These will take several years to go through the Court process but may ultimately result in some additional costs to the Council.

The Council will need to make provision against such claims over the next few years.

Icelandic Banks

During the Banking crisis in September 2008, the Council had £6M of investments with the Icelandic Banks. £4M of this was with a British subsidiary, Heritable and the latest indications from the Administrators is that there are sufficient assets on the Bank's balance sheet to cover its liabilities. The assumption is therefore that we are likely to recover the majority of not all of this investment as the winding up process proceeds. The other £2M was with Landsbanki in Iceland and the intervention by the Icelandic Government has created greater uncertainty over the process for winding up this Bank. The British Government have as a consequence frozen significant Icelandic assets in Britain. We are therefore hopeful that these funds will also be recovered but it is likely to take some time. The Council has £2M available within its insurance funds which have been earmarked to cover any non recovery of these monies. In terms of financial risks, this cover is considered to be adequate but the position will be kept under constant review.

4. REVIEW OF 2009/10 RESERVES POSITION

In setting the 2008/09 Budget the range of factors outlined in this report were also taken into account. The Balances forecast at the end of 2008/09 are £7.6M.

The review of the last 12 months does not suggest that there are any additional factors to take into account in 2009/10, other than the change in the economic climate which is reflected in (iv) above. In addition the Equal Pay situation continues with the Council receiving new claims each year. Because of these factors I am recommending that the minimum Balances should be increased from £6.5M to £7.0M.

5. DIRECTOR OF CORPORATE RESOURCES ADVICE ON THE MINIMUM LEVEL OF BALANCES

Section 25 of the Local Government Act 2003 requires the Director of Corporate Resources to report to the Council when it is setting its Budget/Council Tax on the “robustness of the estimates” and the “adequacy of the reserves”.

Equally the Council should not hold usable Balances at too high a level as this would not be making the most effective use of the Council’s overall resources when faced with significant demands for increased levels of service. However, Balances at upto £12M would not be regarded as inappropriate.

At this point in time, bearing in mind the above and the size of the Council’s Budget at £401M and based upon no additional financial risks being included in the Council’s Budgets for 2009/10, I would recommend that a minimum level of Balances for the Council to maintain would be £7.0M (but if possible should be at a higher level).

6. CURRENT POSITION ON GENERAL BALANCES

The level of general Balances predicted to be available at 31st March 2009 are £7.6M.

Use of Balances

On the basis of the above advice Balances of up to £0.61M could be used in the overall Budget for 2009//10 on a one-off basis. £360,000 was allocated by the Executive at their meeting on the 12th January 2009. Any future use of Balances above the recommended level are best used to support “one off” initiatives/investment. Any significant use of Balances to meet the ongoing costs of services can only be sustained for one year and as a consequence, in the following year that use of Balances must be replaced either by savings in Budgets or an increase in Council Tax. Each £950,000 used in Balances would equate to a 1% increase in Council Tax the following year.

7. SUMMARY

The report has set out the various factors that influence the level of Balances which must be maintained to meet any unexpected increases in expenditure or shortfall in income during the year. The Director of Corporate Resources advice is that as a minimum Balances should be maintained at £7.0M but if possible should be at a higher level.

ADULT SERVICES

STRATEGIC BUDGET REDIRECTIONS

	2009/10 £000
Adult Social Care and Community Safety	
Residential care provision and placements	450
Review contracts and day care provision	130
Efficiency target for commissioned contracts	20
Miscellaneous efficiencies – Property Management	65
Value for money review of Care Services	1,000
Implementation of Home Care Electronic Monitoring	750
Cash Limiting Supplies and Services budget	100
Review of Care Management	250
Reduce Social Worker Secondments	35
Disestablish a Senior Community Safety Management post	19
Review Trading Standards structure as part of wider Review	29

TOTAL	2,848 -----

CORPORATE RESOURCES

STRATEGIC BUDGET REDIRECTIONS

	2009/10 £000
CORPORATE RESOURCES	
Minor restructuring Audit/Payroll	58
Cashiers (saving of 1 post)	26
HB Assessment Officer/Verification Team	32
Collection of HB Overpayments (re HRA)	200
CRM Operational Efficiencies	32
ICT Negotiated Contract Efficiencies	70
Cash Limit Budgets	92
Reduced Accommodation Costs	64
Additional Income Generation	70
Reduced ICT investment in Security	51
 CHIEF EXECUTIVE'S/LEGAL & DEMOCRATIC SERVICES	
Savings from remodelling across the 2 Departments	80
Remodelling within Licensing to deliver efficiencies and move towards IT service delivery	30
More generic working with Registrars generating efficiencies	30
Reduction in the Citizens Panel funding	16
Cash limited budgets and other minor efficiencies	47
Proactive approach to sponsorship across the Borough	25
Minor Restructuring – Admin and Marketing and Media	29
Remodelling within the Policy, Improvement and Area Working Division	60
Remodelling within the Neighbourhood Renewal Policy Team	50
Remodelling within the Human Resources Services	60
 Total	 ----- 1,122 -----

CHILDREN'S SERVICES

STRATEGIC BUDGET REDIRECTIONS

	2009/10 £000
IT Savings arising from a mix of staffing/procurement	500
Four Family Support Senior Practitioner posts	187
Terminate the Family Support element of the Homestart Contract	30
Delete 4 Social Worker posts	139
Restructuring and realignment of staff across Positive Contributions	400
Remodelling within Inclusion and Engagement	50
Vacancy management/review of admin costs	250
Cash Limited Budgets	288
Capital savings – debt falling out	96

Total	1.940

CULTURE YOUNG PEOPLE AND SPORT

STRATEGIC BUDGET REDIRECTIONS

	2009/10 £000
Disestablish Arts Team Leader post	39
Team Librarian post	29
School Library Service and the Stock Support Unit relocation	50
Mobile Library Service	95
Reconfigure the patterns of opening at Hall'th Wood Museum	45
Schools Museum Loans Service	14
Albert Halls Admin post	20
Home Visiting Grant payment	28
Disestablish a vacant Food Safety Officer post	34
Community Centres Building Manager post	42
Additional Grant	3

Total	399

DEVELOPMENT & REGENERATION/HOUSING

STRATEGIC BUDGET REDIRECTIONS

	2009/10 £000
Development & Regeneration	
Redirection of ERDF/Urban Programme	81
Other Efficiency Savings	19
Review of Building Control – release of 1 Survey post	13
Initial Efficiencies from Planning and Building Control etc.	18
Clerical Officer Post – Pollution Control	14
Principal Environmental Health Officer – Pollution Control	29
Directorate	
Bolton WIDE Contribution	10
Business Change	12
Team Leader – Administration	7
Strategic Housing Unit	
Homelessness and Housing Advice – additional income	11
Mediation Service – additional income	11
Homes for You – Savings on running expenses	5
Cash limited budgets and minor efficiencies	43
Bolton at Home	
Running expenses from private sector regeneration	13
Running costs savings	46
Savings in Finance and Organisational Development	12
General Efficiencies/Cash Limited Budgets	13
Staffing Efficiencies (Wardens)	18
Total	----- 375 -----

ENVIRONMENTAL SERVICES

STRATEGIC BUDGET REDIRECTIONS

	2009/10 £000
Highways & Engineering	
Safety Inspection Team	20
Street Lighting – Technical Supervision	25
Other Efficiency Savings	41
Miscellaneous Supplies and Services etc.	20
Night Time Street Lighting Inspections	40
Illuminated Signage	40
High Speed Road Maintenance	40
Review Fees and Charges	20
Remove Traffic Aids to movement budget	50
Review Environmental Crime services	150
Review Lighting Maintenance regime	50
Removal of Public Rights of Way budget	40
Neighbourhood Services	
Review process for emptying litter bins	30
Improved ways of working	50
Playground maintenance (5 over 7 working)	25
Public Conveniences	20
Other Efficiencies	35
Increases in Fees and Charges	15
Review grass cutting timetables	51
Review maintenance of Butterfly House/Summer Planting	11
Review Allotment maintenance	25
Review Asset Management costs on Greenspace	12
Waste and Fleet Management	
Container deliveries – reduction of one team	35
Business Process Re-engineering	150
Rework current rounds	150
Review Green Waste Collection regimes	60
Community Services	
Targeted surplus – trading activities	90
Increased Bereavement Services charges	25
Policy and Performance Division	
Efficiency Savings within Business Support	81
Review of supply contracts	140
Total	----- 1,541 -----