

1. Background

- 1.1 The Council sets an annual budget and determines the level of Council Tax for the forthcoming financial year. At the same time it provides indications of predicted spending patterns for the forthcoming two years, as part of the 3 year budget setting process.
- 1.2 This report sets out the Council's 2008/09 budget and the proposed level of Band D equivalent Council Tax for 2008/09. Indicative budgets for 2009/10 and 2010/11 are also included in this report.

2. Strategic and Policy Framework

- 2.1 The budget is set against the strategic and policy framework which is set by the Council. The budget also has regard to the statutory obligations of the Council, and makes provision for the fulfilling of these obligations.
- 2.2 The Sustainable Community Strategy has as its basis the 2020 vision which was developed in 1997, and updates this original vision to take account of the changes which have taken place over the past decade within Great Yarmouth. The strategy has been developed by the Local Strategic Partnership, which is made up of over fifty partners representing the public, private, voluntary community and faith sectors. The Sustainable Community strategy is still in draft form, and is still subject to further consultation.
- 2.3 At the heart of the Sustainable Community Strategy is a vision for Great Yarmouth which states:
"We want our community to offer a high quality of life and a secure future for all our residents."
- 2.4 The vision is supported by three principal overarching themes:
"Theme One – a prosperous and dynamic economy
"Theme Two – a clean and safe environment
"Theme Three – a healthy and cohesive community"
- 2.5 From the Sustainable Community Strategy, the Borough Council has developed a Corporate Plan, the purpose of which is to set the broad strategic direction, priorities and targets for the Council. This document, also in draft form at this time, shows clear links to the Sustainable Community Strategy, as demonstrated by the Council's mission statement:
"Providing excellent services that are accessible, responsive and sustainable to ensure Great Yarmouth is a healthy and vibrant place to live, work and visit".
- 2.6 Supporting the mission statement are the Corporate priorities and objectives, which knit together, and expand upon the overarching themes contained within the Sustainable Community Strategy. These priorities are:
"Customers – Ensuring that the Council is totally customer focussed so

that customers are at the heart of everything that we do.

“Economic – Delivering regeneration projects and providing employment and learning opportunities.

“Environment – Helping to provide a safe, cleaner and significantly sustainable environment for everyone.

“Social – Reducing inequalities, increasing prosperity and improving housing conditions for all.

“Resources – Managing resources for the whole Council efficiently and effectively.

“Performance – Delivery of active, on-going and relentless performance management across every part of the Council.”

- 2.7 The Corporate priorities are embedded into the Council's performance framework through the service planning process; individual services prepare their own service plan which details the service specific priorities, and links them to the Corporate Priorities, providing a “golden thread” along which it is possible to show how each service contributes to the achievement of the Council's overall mission statement.
- 2.8 In order for the Borough Council to be in a position to deliver the Corporate priorities, it needs to ensure that the financial resources are in place and correctly allocated. At a corporate level, the Medium Term Financial Strategy, a revised version of which is also being considered at this meeting, details the overall strategy for delivery of the resources required for the achievement of the Council's mission statement. This budget uses the guidance set out within the Medium Term Financial Strategy to bring together a detailed budget for 2008/09 along with the proposals for Council Tax levels for the year.
- 2.9 Two key priorities were identified in the preparation of the 2007/08 budget. These were “to improve customer services” and to achieve “a cleaner environment”. The Council has demonstrated real improvements in both areas during the course of 2007/80 as well as showing an overall increase in resident satisfaction.
- 2.10 For 2008/09 these remain a priority, with similar levels of investment into the customer contact centre remaining. For the Environment, the DERT team has now been mainstreamed to continue with its success.
- 2.11 Alongside these sits a new key priority, that of improving the financial management and Use of Resources. In 2008/09 a significant permanent increase in the Finance Team's resources has been included in the estimates.

3. Budget Methodology

- 3.1 In April 2007 the Council began using a new Financial Management System. This has allowed Service Unit Managers and Heads of Department up to date financial information within their services, as part of a revised monthly reporting process. This has allowed officers and

Members to keep a much closer eye on the predicted outturn for the budget for 2007/08.

- 3.2 By constantly refining and reviewing the current position, the need to revisit the budget in its entirety, and to produce a revised budget has been negated, and therefore the Current Budget has been used to determine the outturn for 2007/08.
- 3.3 The Original Budget for 2007/08 includes the use of General Fund Reserves to the value of £1m. This was acknowledged as a short term measure, and was largely dependent on the receipt of Local Authority Business Growth Incentive income. In order that the Council maintain a standstill position, savings of approximately £1m would have to be found, and this was factored into the Medium Term Financial Strategy.
- 3.4 In the Autumn of 2007, the new budget module was built for Service Unit Managers to prepare their budget estimates for 2008/09. This module took as its base the current budget for 2007/08, and provided for the following changes to be included:
 - Establishment changes – changes to staffing, prepared centrally by the Finance Team in conjunction with the HR team, and reviewed by Service Unit Managers. This budget has been prepared on the basis of the outcomes of job evaluation, including protections and uplifts where applicable.
 - Savings – Savings to be submitted by the Service Unit Managers
 - Contractual Growth – identification of any growth as a result of contractual commitments
 - New requirements Growth – identification of any growth as a result of new legislative requirements or any growth already approved through Council
 - Discretionary Growth – any other discretionary growth identified by Service Unit Managers
- 3.5 Guidance was given to Service unit Managers that inflationary growth would only be allowed where it was a contractual commitment, and in these cases a figure of 4% should be used, which represented the best estimates of the Retail Prices Index at the time of preparation of the budget working papers. Where it was deemed appropriate for fees and charges to be raised, the guiding figure was also inflationary at 4%. In the light of recent soundings from central Government, pay inflation has been kept at 2.5%, which is slightly above the settlement for 2007/08, but is prudent in the light of the Consumer Prices Index. Where applicable, the revenue implications of capital projects have been built into Service Plan estimates. Interest receivable calculations have been prepared with regard to the estimated call on investments as determined in the Council's cashflow estimates. Interest payable, and the minimum

revenue provision required have been based on current capital estimates.

- 3.6 The completed estimates were input into the Budget Module and were reviewed by Service unit Managers. Alongside this review, Service Unit Managers were asked to find further options for savings within their services, and to define how these savings options would impact on their ability to deliver their service plan for 2008/09, and how they linked into the Council's corporate priorities.
- 3.7 The Executive Board then reviewed the budget and the savings options. The savings options presented, and subsequently accepted, were found not to have a significant impact on the ability of services to deliver their Service Plans, and consequently the corporate priorities would not be impacted. At the same time, the growth bids were reviewed to ensure that new growth was targeted towards the revised draft Corporate Priorities, in line with the Medium Term Financial Strategy.
- 3.8 Although some of the savings options are one-off in nature, this process has enabled the Council to be in a position to set a balanced budget. S 25 of the Local Government Act 2003 introduced a new requirement for the Responsible Financial Officer, that is the officer having responsibility for the administration of the authority's financial affairs, to report on the robustness of the estimates made for the purposes of the calculations under s32 of the Local Government Finance Act 1992. For Great Yarmouth Borough Council that officer is the Head of Financial Services.
- 3.9 The methodology by which the budget has been prepared as detailed above gives assurance that the estimates have been review and scrutinised to ensure their robustness. In the opinion of the Head of Financial Services, the estimates made for the purposes of the calculations under s32 of the Local Government Finance Act 1992 are robust.
- 3.10 For 2009/10 and future years, estimates have been updated based on high level assumptions about pay and inflation, and take into account any known service changes or new requirements for those years.

4. Budget 2008/09 to 2010/11

4.1 The table below details the budget estimates for 2008/09 to 2010/11, and includes estimates for the revised out-turn for 2007/08.

	2007/08 Current £000s	2008/09 Original £000s	2009/10 Estimate £000s	2010/11 Estimate £000s
Central Services	2,440	2,022	2,022	2,022
Customer Services	(35)	(9)	(9)	(9)
Financial Services	1,261	1,266	1,266	1,266
Revenues and Benefits	1,876	1,255	1,255	1,255
Community Services	4,335	4,427	4,427	4,427
Planning	733	892	892	892
Regeneration and Environment	7,031	7,332	7,332	7,332
Other	(1,842)	(1,570)	(1,570)	(1,570)
Inflationary increases	-	-	850	1,590
Increases to fees and charges	-	-	(400)	(800)
Savings target	-	-	(747)	(791)
Net Budget	15,799	15,615	15,318	15,614

Further details for the 2008/09 budget are included at the end of this Appendix.

4.2 The table below shows how the net budget is financed.

	2007/08 Current £000s	2008/09 Original £000s	2009/10 Estimate £000s	2010/11 Estimate £000s
Revenue Support Grant and NNDR	10,177	10,434	10,614	10,782
Council Tax & Parish Precepts	4,387	4,546	4,670	4,798
Transfer from Collection Fund	41	34	34	34
LABGI	766	-	-	-
(Added to)/Taken From Reserves	428	601	-	-
Net financing	15,799	15,615	15,318	15,614

4.3 The table below details the movements between the 2007/08 net budget and the 2008/09 Budget.

2007/08 Current Budget	15,799
Contractual Growth	539
New requirements growth	116
Other Growth	406
Savings	(1,449)
Establishment movements	204
2008/09 Original Budget	15,615

4.4 Within the estimates for 2009/10 and 2010/11 is a savings target which is required to balance the budget for those years. The Council has embarked on a Value for Money Programme which will highlight how services can improve on Value for Money. In accordance with the Communities and Local Government paper "Delivering Value for Money in Local Government: meeting the challenge of CSR07", which sets a 3%

per annum target, and in line Medium Term Financial Strategy, the Council will seek these savings through improved Business processes (including collaboration), smarter procurement and asset management.

- 4.5 It is envisaged that the savings can be achieved primarily through this route, rather than affecting service delivery, and consequently the ability of the Council to achieve its mission statement.
- 4.6 The table below sets out the levels of General Fund Reserves for 2008/09 to 2010/11.

	2007/08 Current £000s	2008/09 Original £000s	2009/10 Estimate £000s	2010/11 Estimate £000s
General Fund Reserves	1,683	1,082	1,082	1,082
Earmarked Reserves	937	937	937	937

In accordance with the Medium Term Financial Strategy, the proposed levels of reserves are within the acceptable range.

- 4.7 LAAP Bulletin 55 – Guidance note on Local Authority Reserves and Balances recommends that a review of the level of earmarked reserves should be undertaken as part of the annual budget preparation. The Council currently has the following earmarked reserves:
- Building Control (£110k) – this reserve is a ringfenced reserve as required by the Statement of Recommended Practice to ensure that Building Control Fees break even over a rolling three year period. This reserve is determined by the level of surplus or deficit on Building Control Fee income. For budget purposes no change in the level of this reserve has been included.
 - Insurance Fund (£128k) - The Insurance Fund operates to provide internal insurance provision to cover excesses on external insurance policies and smaller items not covered externally. As part of the annual closedown process the level of liabilities will be assessed to determine the adequacy of this reserve, based on experience and claims history. For budget purposes no change has made to the level of this reserve.
 - Benefits (£200k) – this reserve was established in the light of the 2005/06 Benefits subsidy claim not having been finalised at the time of the closedown of the 2006/07 accounts. In 2007/08 £100k will be utilised to offset the final determination of the 2005/06 claim, leaving £100k for the unfinalised 2006/07 claim.
 - Miscellaneous Revenue Reserves – These reserves range in value and type from Grave Maintenance to PC Renewals. At the end of 2006/07 £178k was included in these various reserves. No drawdown on these reserves is envisaged at this stage; a full review of the adequacy of the reserves, and their future application will be carried out at the year end as part of the closedown process.
 - South Gorleston Reserve (£421k) - to provide matched funding with English Partnerships towards the development of the business park. At this stage no use of this reserve is intended in 2008/09, but this is

subject to full plans for the future development of the South Gorleston site being drawn up.

- 4.8 In accordance with s25 of the Local Government Act 2003, the Head of Financial Services confirms that in his view the proposed levels of financial reserves are adequate.

5. Risk Assessment

- 5.1 The budget represents the Council's best estimates of income and expenditure at a point in time. It is based on knowledge and experience, but will always be subject to a level of risk. Paragraph 3.10 above includes a statement on the robustness of the budget estimates.
- 5.2 In preparing the budget certain assumptions have been made with regard to income and expenditure. There are a number of areas where the impact of unforeseen events could result in the estimates being misstated. The Council has prepared a corporate risk assessment, which has been used to inform the preparation of the budget; there are however a number of areas which it is prudent to identify at this stage as carrying a higher level of risk, both positive and negative.
- 5.3 The Council is responsible for paying out Housing and Council Tax benefits. It receives subsidy from the Department for Work and Pensions for the benefits payments that it makes. The amount of subsidy receivable depends on the level of performance – a decrease in performance will materially affect the amount of subsidy receivable. The estimates have been based on the current levels of performance, and there is no reason to believe that these levels of performance will deteriorate.
- 5.4 Establishment costs have been set on the basis of a 2.5% pay increase. An increase above this level would impact on the budget, a lower settlement will have a positive impact. For every 1% variance there is an impact of approximately £100k on the budget.
- 5.5 Apart from subsidy income, the Council generates significant revenues from both fees and charges and property rental income. For the most part, this income will be determined by the level of demand. While there are some reductions for known variances (e.g. a reduction in the level of Local Land Charge Searches), for the most part income levels have been based on 2007/08 estimates. Prudence has played a part in the estimates in that they have not been increased significantly. If a downturn in the economy were to affect property rental income, then the Council would be affected by the loss in income, alongside a new requirement to pay NNDR on vacant properties.
- 5.6 To some extent, it would be possible to mitigate the risk of a reduction in income by reducing expenditure, but the Council recognises that a significant proportion of its expenditure is related to staffing costs, for which the same level of flexibility does not exist.

- 5.7 In preparing the estimates, the Council has determined to use Local Authority Business Growth incentive grant to be awarded in 2007/08 in order to balance the 2008/09 budget. This has not yet been determined, and Members should appreciate that there is a level of risk associated with this grant.

6. Council Tax

- 6.1 The Medium Term Financial Strategy states that increases in Council Tax levels should be determined on an annual basis, with regard to the capping limit in force for that year, consultation with the public and the underlying rate of inflation. As a general principle, Council Tax increases will be kept to the lowest level possible which allows the Council to deliver its Corporate Priorities.
- 6.2 The Government has indicated in the Comprehensive Spending Review for 2007 (CSR07) that it expects Council Tax levels to be “well under 5 per cent in each of the next three years.” The Retail Price Index (RPI) was at 4% in December, and the Government’s preferred measure of the Consumer Price Index (CPI) was 2.1% in that month.
- 6.3 As a result the Band D equivalent Council Tax level for 2008/09 is recommended at £137.56 (2007/08 £133.69) which is an annual increase of £3.87, or 2.9%.
- 6.4 The total amounts of Council Tax for 2008/09, including the County Council and Police Authority precept, and the parish precepts are included in Appendix B to this report.

7. Collection Fund

- 7.1 The Collection Fund reflects the statutory requirement for billing authorities to maintain a separate Collection Fund, which shows the transactions of the billing authority in relation to Non-Domestic Rates and Council Tax, and illustrates the way in which these have been distributed to preceptors and the General Fund.
- 7.2 As part of the estimated Tax Base for the Council, a provision for non collection of Council Tax is included. For 2008/09 this provision is 1%.
- 7.3 At the end of the financial year, performance on collection of the income due for Council Tax may be better or worse than estimated, and there may be a payment or a deficit due. This payment or deficit is split in accordance with the precepts between the County Council, District Council and the Police Authority, and is paid in arrears.
- 7.4 For 2008/09 a surplus of £34,336 is due to the District Council, which has been included in the estimates. Calculations relating to this surplus are included in Appendix C.