

# **CITY COUNCIL - 7 MARCH 2011**

## **REPORT OF THE DEPUTY LEADER**

### **BUDGET 2011/12**

#### **1. Summary**

- 1.1 This budget report sets out the proposals for 2011/12 in a layout governed by statute.
- 1.2 The Medium Term Financial Plan (MTFP) 2011/12-2013/14 was considered by Executive Board on 22 February 2011.
- 1.3 This report should be read in conjunction with the contents of the associated financial plans and budget reports, available on the City Council's dedicated budget intranet page. Specific attention is drawn to the reports to the Executive Board on 22 February 2011 entitled 'Medium Term Financial Plan 2011/12 – 2013/14' and 'Budget Consultation', which are both appended to this report.

#### **2. Recommendations**

It is recommended that:

- 2.1 the following be approved:
  - (1) the revenue budget for 2011/12, including;
    - (a) the recommendations of the Chief Finance Officer (CFO) in respect of the robustness of the estimates made for the purpose of the budget calculations and the adequacy of reserves;
    - (b) the delegation of authority to the Deputy Chief Executive/Corporate Director for Resources in consultation with the Deputy Leader to finalise the MTFP for publication;
    - (c) the delegation of authority to the appropriate Directors to implement Strategic Choices proposals after undertaking the appropriate consultation;

- (2) the capital programme for 2011/12 – 2013/14;
- (3) a net budget requirement of **£285,229,020**, including the calculations required by Sections 32 to 36 of the Local Government Finance Act 1992 (“the Act”), as set out below:
  - (a) **£950,359,189** 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) **£665,130,169** 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) **£285,229,020** being the amount by which the aggregate at **2.1(3)(a)** above exceeds the aggregate at **2.1(3)(b)** above, calculated by the Council, in accordance with Section 32(4) of the Act, as its budget requirement for the year;
  - (d) **£184,801,754** being the aggregate of the sums which the Council estimates will be payable for the year into its General Fund in respect of the estimated formula grant, reduced by the amount of the sums which the Council estimates will be transferred in the year to or from its Collection Fund;
- (4) a City Council Band D basic amount of council tax for 2011/12 of **£1,332.28** being the amount at **2.1(3)(c)** above less the amount at **2.1(3)(d)** above, all divided by the amount at **2.2(3)** below, calculated by the Council, in accordance with Section 33(1) of the Act, as the basic amount of its council tax for the year (as set out in **section 5** of this report);
- (5) the setting of the amounts of council tax for 2011/12 at the levels described in **section 5** of this report;
- (6) the making of the Members’ Allowances Scheme for 2011/12 in the terms of the previously adopted scheme.

## 2.2 the following be noted:

- (1) a Nottinghamshire and City of Nottingham Fire and Rescue

Authority precept at Band D for 2011/12 of **£69.69**.

- (2) a Nottinghamshire Police Authority precept at Band D for 2011/12 of **£160.11**.
- (3) in January 2011, the City Council calculated the amount of **75,380** as its council tax base for the year 2011/12 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.

### **3. Reasons for Recommendations (including outcomes of consultation)**

#### **3.1 General Approach**

Consultation on the budget was conducted in two phases. Before the budget settlement was announced, pre-budget consultation was carried out with citizens and with the voluntary sector. An insert into the Arrow in September 2010 included a survey and the December 2010 Arrow contained a further insert that provided feed back on Round 1 and asked some follow up questions. The surveys were also available online. In addition each round was supported by a series of local consultation events attended by local councillors and, where possible, by an Executive Board councillor.

The draft budget was considered by Executive Board on 18 January 2011 and this was followed by further consultation. Due to the need to feedback to the 22 February Executive Board meeting, this consultation could not be run through the Arrow. Instead a further survey was made available on the Council website and those who had contributed to earlier rounds were contacted by email where consent had been given. Additionally, further local events were arranged and Neighbourhood Management teams publicised these locally. Voluntary sector consultation has continued alongside this as well as consultation with Council staff and business.

Appropriate action has been taken in relation to any representations made and feedback from that consultation process has been taken into account in finalising the proposals within this report.

### 3.2 HRA Tenant Consultation on 2011/12 Budget and Rents

Presentations were made at some of the nine area housing panels, other working groups e.g. Black Minority Ethnic (BME) Forum and the Tenants and Leaseholders Congress asking tenants and residents about their views on services and priorities for the future. Due to the December 2010 release of the draft determination and the January 2011 release of the final determination discussion necessarily has been generalist in nature. Tenants were advised that the Government proposed a 7.53% rent increase but the Council would make a decision in February 2011. The discussion also covered an outline of the sources of income and expenditure available to the HRA and the way in which the HRA Subsidy system operates. A breakdown of savings Nottingham City Homes were required to make in Management Fee spend was discussed. An article on the proposed rent increase was included in the January 2011 edition of "News from Nottingham City Homes" which is sent to all tenants and leaseholders. The tenants were concerned about the impact of such a big rent increase at this time when other living costs were increasing. They were also concerned that cuts shouldn't be made to priority services they identified as:

- the successful completion of the *Decent Homes* programme;
- providing a high quality repairs service with a focus on 'getting the job right first time';
- tackling community concerns such as anti social behaviour;
- more investment in tenant involvement;
- minimising the time properties are empty;
- support to vulnerable tenants.

It was recognised that setting rents was ultimately the responsibility of the City Council and that, in reaching a decision, the views of tenant representatives would be taken into account.

### 3.3 Members' Allowances Scheme 2011/12

This report recommends the adoption of the Scheme for 2011/12 without changes. A copy of the current Scheme can be viewed within the Council's Constitution at Appendix 6 (b) or by using the following hyperlink to the document published online at:

<http://www.nottinghamcity.gov.uk/index.aspx?articleid=3744>

#### 4. Other options considered in making recommendations

4.1 None

#### 5. Background

5.1 The legislation governing the setting of council tax is contained in the Local Government Finance Act 1992 (the "Act"). Section 33 requires a billing authority to calculate the basic amount of its council tax, which in the City Council's case is that applicable to Band D dwellings in its area.

The calculation is made in accordance with a formula  $(R-P)/T$

5.2 **R** is the amount of the City Council's budget requirement for 2011/12, calculated in accordance with section 32(2) (a) to (e) of the Act. The budget requirement represents the estimated net expenditure on the General Fund for 2011/12 after the use of reserves. The Executive Board at its meeting on 22 February 2011 determined the budget requirement to be **£285,229,020**.

**P** represents the aggregate of the following sums set out in Section 32(3) (a) to (c) of the Act:-

- Estimate of Formula Grant **£184,801,754**.
- It is estimated that there will be no deficit on the 2010/11 Collection Fund.

The total value of **P** is therefore:-

|   |                    |
|---|--------------------|
|   | £                  |
| • Estimated of Formula Grant                | 184,801,754        |
| • Estimated 2009/10 Collection Fund Deficit | 0                  |
|   | <hr/>              |
|   | <b>184,801,754</b> |

**T** is the amount calculated by the City Council as its council tax base for 2011/12. In January 2011 the City Council calculated the amount of 75,380 as its council tax base for the year 2011/12 in accordance with regulation 3 of the Local Authorities (Calculation of Council Tax base) Regulations 1992 made under Section 33 (5) of the Act.

Application of the formula  $(R-P)/T$  thus gives a basic amount of Council tax of:

$$\frac{(\pounds 285,229,020 - \pounds 184,801,754)}{75,380} = \pounds 1,332.28$$

for a Band D property in accordance with Section 33(1) of the Act.

- 5.3 Application of the formula specified in section 36 of the Act gives the following basic amount of council tax for each valuation band :

| <b>Band</b> | <b>Factor</b> | <b>Basic amount of council tax</b> |
|-------------|---------------|------------------------------------|
| <b>A</b>    | 6/9           | £888.19                            |
| <b>B</b>    | 7/9           | £1,036.22                          |
| <b>C</b>    | 8/9           | £1,184.25                          |
| <b>D</b>    | 9/9           | £1,332.28                          |
| <b>E</b>    | 11/9          | £1,628.34                          |
| <b>F</b>    | 13/9          | £1,924.40                          |
| <b>G</b>    | 15/9          | £2,220.47                          |
| <b>H</b>    | 18/9          | £2,664.56                          |

- 5.4 It should be noted that, for the financial year 2011/12, the Nottinghamshire Police Authority has issued the following amounts in precepts in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of the dwellings shown below:

| <b>A</b> | <b>B</b> | <b>C</b> | <b>D</b> | <b>E</b> | <b>F</b> | <b>G</b> | <b>H</b> |
|----------|----------|----------|----------|----------|----------|----------|----------|
| £106.74  | £124.53  | £142.32  | £160.11  | £195.69  | £231.27  | £266.85  | £320.22  |

- 5.5 It should also be noted that, for the financial year 2011/12, the Nottinghamshire and City of Nottingham Fire and Rescue Authority has issued the following amounts in precepts in accordance with Section 40 of the Local Government Finance Act 1992 (which has been amended by the Local Government Act 2003 to include Combined Fire Authorities), for each of the categories of the dwellings shown below:-

| <b>A</b> | <b>B</b> | <b>C</b> | <b>D</b> | <b>E</b> | <b>F</b> | <b>G</b> | <b>H</b> |
|----------|----------|----------|----------|----------|----------|----------|----------|
| £46.46   | £54.20   | £61.95   | £69.69   | £85.18   | £100.66  | £116.15  | £139.38  |

- 5.6 The City Council, as billing authority, is required under section 30(2)

of the Act to set council taxes for its area. In the City Council's case these will represent the aggregate of the City Council's basic amount of council taxes and the precepts of Nottinghamshire Police Authority and the Nottinghamshire and City of Nottingham Fire and Rescue Authority as shown above.

The impact of the proposals in the council tax is provided below:

| <b>Band</b> | <b>City Council</b> | <b>Police Authority</b> | <b>Fire Authority</b> | <b>Aggregate Council Tax</b> |
|-------------|---------------------|-------------------------|-----------------------|------------------------------|
|             | <b>£</b>            | <b>£</b>                | <b>£</b>              | <b>£</b>                     |
| <b>A</b>    | 888.19              | 106.74                  | 46.46                 | 1,041.39                     |
| <b>B</b>    | 1,036.22            | 124.53                  | 54.20                 | 1,214.95                     |
| <b>C</b>    | 1,184.25            | 142.32                  | 61.95                 | 1,388.52                     |
| <b>D</b>    | 1,332.28            | 160.11                  | 69.69                 | 1,562.08                     |
| <b>E</b>    | 1,628.34            | 195.69                  | 85.18                 | 1,909.21                     |
| <b>F</b>    | 1,924.40            | 231.27                  | 100.66                | 2,256.33                     |
| <b>G</b>    | 2,220.47            | 266.85                  | 116.15                | 2,603.47                     |
| <b>H</b>    | 2,664.56            | 320.22                  | 139.38                | 3,124.16                     |

## **6. Financial Implications (including value for money)**

6.1 These have been considered in the Medium Term Financial Plan 2011/12-2013/14 report to Executive Board.

## **7. Risk Management Issues**

7.1 These have been considered in the Medium Term Financial Plan 2011/12-2013/14 report to Executive Board.

## **8. List of Background Papers**

8.1 Budget Working Papers

8.2 Background papers on strategic choices

**9. Published Reports referred to in compiling this report**

9.1 Previously published documents are available on the dedicated intranet page.

**COUNCILLOR CHAPMAN  
DEPUTY LEADER**