

FINANCE AND MANAGEMENT COMMITTEE (SPECIAL)

15th January 2009

PRESENT:-

Conservative Group

Councillor Harrison (Chairman), Councillor Wheeler (Vice-Chairman) and Councillors Bladen, Mrs. Coyle, Ford, Grant, Mrs. Patten (substitute for Mrs. Plenderleith) and Mrs. Wheeler.

Labour Group

Councillors Dunn (substitute for Councillor Pabla), Richards, Southerd, Taylor and Wilkins.

In attendance

Councillors Atkin and Jones (Conservative Group).

APOLOGIES

Apologies for absence from the Meeting were received from Councillor Mrs. Plenderleith (Conservative Group) and Councillor Pabla (Labour Group).

MATTERS DELEGATED TO COMMITTEE

FM/83. **SERVICE BASE BUDGETS 2009/10**

A report was submitted informing Members of the proposed base budget for 2009/2010. It included an overview of the Committee's main spending areas and some of the main cost pressures facing its services. It was proposed that the estimated income and expenditure be included in the consolidated budget of the Council for 2009/2010, subject to the Council's overall medium-term financial position. The report also set out proposals for the level of fees and charges under the responsibility of the Committee for the next financial year. A summary was also included of the Committee's existing capital investment programme.

The Committee's net revenue expenditure was summarised in an Appendix to the report, which set out the budget for each main cost centre and aggregated several of the main service areas. In addition, a line-by-line breakdown of every cost centre was also included within the report. The areas that the Committee was responsible for were then reported.

A summary of the Committee's net revenue expenditure was reported in a table within the report and it was estimated to reduce overall between 2008/09 and 2009/10 by £3,281,682. A further table summarised the main reasons for this reduction. An analysis of the variances was detailed across services in an appendix to the report and it was pointed out that the most significant variance related to departmental and employee costs, which would be accounted for in a different way and charged straight to the cost of the service that the staff supported directly.

Reports were provided on the reduction in leasing costs, one-off expenditure and maintenance of the Civic Offices. There were sections on the interest received from short-term investments and other changes to the base budget, which included a table showing total variances of some £203,000. Concessionary travel was then referred to. Additional costs of £65,000 were estimated, but there was likely to be a significant variance, based on the distribution of costs for a new scheme and initial indications suggested that the Council should be in a much better position financially. The report also looked at Housing Benefits and then gave further information on the accounting changes made to staffing and departmental budgets, together with issues like the pay and grading review. The detail of the report focused on inflation and the approach used in formulating the 2009/10 base budget.

Finally, the report looked at the approved capital investment programme for the Committee and a further appendix showed the proposed level of fees and charges for 2009/10.

In response to a Member's question, clarification was provided on the accounting changes for salary costs of frontline service staff. A question was also submitted on the comparative costs of the concessionary travel scheme elsewhere in the country, which would be the subject of further information in the subsequent report.

RESOLVED:

- (1) That the proposed revenue income and expenditure for 2009/10 for the Committee's services be approved and included in the Council's consolidated budget.***
- (2) That the proposed fees and charges for 2009/10 be approved.***

FM/84. **CONSOLIDATED BUDGET PROPOSALS 2009/10 AND FINANCIAL PLAN TO 2014**

A report was submitted to detail the Council's overall financial position for the 2009/10 budget round. Essentially, it built on the financial plan and strategy approved in 2008 and covered the following sections:-

- The Council's current spending and proposed base budget position for 2009/10.
- The General Fund's 5-year financial forecast including proposed spending by policy committees and associated analysis to 2013/14, which formed the Medium Term Financial Plan (MTFP).
- The proposed council tax base and collection fund position.
- The effects of indicative Council Tax levels.
- A review and update of the existing capital investment programme and financing available.

Initially, the report focused on the General Fund financial position, which was forecast to worsen over the next five-year planning period. This was due

almost entirely to the economic downturn that had impacted on the Council's income streams. This section of the report explained the assumptions made on the economy recovering, the impact of the use of general reserves and two positive issues that would have a beneficial impact. However, as these issues still had to be resolved fully, they had been excluded from the budget at this stage. The base budget assumed current levels of service continuing. Other than an increase on refuse collection costs, due to population growth, no new spending was affordable at this stage. In addition, there remained an ongoing budget deficit in years four and five of approximately £170,000. The impact on reserves was reported, together with commitments on capital expenditure and it was therefore vital that the ongoing budget deficit be addressed.

The position on capital investment continued to worsen, due to a complete reduction in capital receipts from asset disposals and in particular, Council house sales. The report explained how the programme had been revised as a consequence. It was probable that assets surplus to requirements would be identified and disposed of, but being prudent it was very uncertain and no income was anticipated in the short term. The approach was considered as the "worst case scenario", but helped to focus on how much the Council needed to generate to meet known commitments. This equated to some £1.825million over the next five-year period.

The detail of the report looked initially at the Council's financial settlement for the period 2009/10 to 2010/11. Effectively, these increases of 2.7% and 2.4% respectively compared favourably to increases across the country. The report then looked at the other grants received, comprising housing and planning delivery grant, homelessness grant, benefits administration grant and the national concessionary travel scheme. There were also area-based grants and funding for climate change.

The general fund financial projection was detailed in an appendix to the report and summarised in a table, which showed that the balance of reserves by 2013/14 could fall to £81,519. Reserves were projected to fall sharply over the next five years, especially up to 2011/12. This section of the report confirmed the assumptions made about the economic downturn and recovery.

Inflation was reported and unlike previous years, this had not been allocated directly into service base budgets. Allowances for inflation, based on various assumptions had been calculated across the main spending heads and were detailed in a further appendix. A comparison was then provided to the previous projection and Members were referred to a further table showing the main reasons for the reduction in projected balances. Information was provided on the Waste and Cleansing tender evaluation and the estimated increase in costs relating to the concessionary travel scheme. The reduction in interest on short-term investments was also reported, together with the reduction in the Council Tax base and the increased costs of gas and electricity. The reduction in income, as compared to the budget had been much sharper than estimated and a further table showed the MTFP projections on the levels of income from planning fees, building regulations and land charges. Subsequent paragraphs explained the assumptions made regarding the continued downturn in the economy and when recovery would start. It was anticipated that a number of larger planning applications would

come forward over the next year. However, these had not been included within the projections at this stage.

Other issues highlighted were the provision of new leisure facilities, housing benefit subsidy and reduction in the overall provision for inflation. Risks were then considered, comprising the minimum level of general reserves and the risk and cost pressures considered by other policy committees. A table in the report highlighted particular issues relating to recycling, funding community support and crime prevention services, Swadlincote Woodlands and maintenance of the Civic Offices.

A particular issue considered in some depth was concessionary travel. Members were reminded of the background to this County-wide scheme and the costs incurred by the District Council presently. Legislative changes had effectively forced a change in the distribution of costs, to reflect actual passenger journeys within each area. The costs for South Derbyshire were significantly less than those currently being paid, in excess of £600,000 each year. Whilst there was ongoing lobbying about the impact for some Derbyshire authorities, it appeared clear that the Council should benefit financially and an update on these proposals would be submitted to the Committee's meeting on 17th February 2009. A further positive impact related to the rental income from an industrial holding. The report explained the previous assumptions, which meant that income had not been built into the MTFP, but it was now anticipated that rental income would continue for at least the next three years. A further table showed the impact of the concessionary travel cost reduction and rental income, together with the revised reserve balances for the period to 2013/14.

It was proposed to set aside resources from any gains to meet the potential capital commitments of £1.825million. A further table showed the revised projected balance taking this into account.

Council Tax was then considered and the report included sections on the Council Tax base and the collection fund surplus. An appendix showed the estimated surplus balance on the collection fund was £434,000 and the report showed how this would be disaggregated in accordance with a prescribed formula. Council Tax levels were considered and the projection built in an increase for District services of 2.5% per year.

Next, capital investment and financing were reported. Details of the approved spending and financing programme to 2013/14 were detailed in a further appendix. This part of the report considered the position on general capital receipts and the assumptions made, because of the economic downturn. Further sections under this heading looked at other earmarked capital receipts, the current investment programme, private sector housing investment, disabled facility grants and other funding.

The Chairman spoke of the difficulties in drawing this budget together and was satisfied that Officers' assumptions and decisions were prudent. A question was submitted regarding the windfall from Council Tax income on second homes, which had not been included in the budget at this stage. There was also discussion about the increased cost of providing the refuse collection service to new properties and whether this was offset by the Council Tax income. Related to this was the increase in the number of refuse collection rounds and the purchase of new vehicles and plant, for which a

replacement programme was in place and had been included within the reported figures.

RESOLVED:

- (1) That the estimates of revenue income and expenditure for 2009/10 for the General Fund be approved, together with the levels of income and expenditure.***
- (2) That the Council Tax Base for 2009/10 be approved as 30,641.6.***
- (3) That the surplus as detailed in Appendix 5 to the report be declared on the Collection Fund for 2008/2009 and included in the calculation of the Council Tax for 2009/2010.***
- (4) That the updated five-year financial projection on the General Fund to 2014 as detailed, including associated assumptions and risks be approved.***
- (5) That any additional resources arising from the re-distribution of concessionary travel costs and income from industrial holdings, is set-aside as a provision to meet capital commitments pending the generation of capital receipts.***
- (6) That the updated capital investment programme and available financing to 2014 be approved.***
- (7) That the decisions made in (1) to (6) above be used as the basis for consultation with local residents, businesses, voluntary and community groups.***

J. HARRISON

CHAIRMAN

The Meeting terminated at 6.50 p.m.