

FINANCE AND MANAGEMENT COMMITTEE (SPECIAL)

13th January 2011

PRESENT:-

Conservative Group

Councillor Harrison (Chairman), Councillor Murray (Vice-Chairman) and Councillors Bale (substitute for Councillor Mrs. Coyle), Bladen, Grant, Lemmon, Stanton and Wheeler.

Labour Group

Councillors Richards, Southerd, Taylor and Wilkins.

Independent/Non-Grouped Member

Councillor Pabla.

In Attendance

Councillors Atkin, Mrs. Farrington, Mrs. Hood and Jones (Conservative Group) and Councillor Rhind (Labour Group).

APOLOGY

An apology for absence from the Meeting was received from Councillor Mrs. Coyle (Conservative Group).

FM/62. **DECLARATIONS OF INTEREST**

Councillors Richards and Wilkins declared prejudicial interests in respect of the Consolidated Budget Report, due to their involvement in voluntary organisations that receive grants from the Council.

MATTERS DELEGATED TO COMMITTEE

FM/63. **SERVICE BASE BUDGETS 2011/2012**

A report was submitted to inform Members of the proposed base budget for 2011/12. It included an overview of the Committee's main spending areas. It was proposed that the estimated income and expenditure be included in the consolidated budget of the Council for 2011/12, 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 and the Committee's existing capital investment programme.

A summary and overview was provided, which explained the Committee's responsibility for some large spending areas. In accordance with local government accounting regulations, a substantial amount of the Committee's costs were recharged and allocated across other services. The Council's overall financial position was then considered and the report referred to the review of the Council's Medium-Term Financial Plan, ahead of the Government's Comprehensive Spending Review. Commentary was also

provided on the efficiency savings identified and the Corporate Services Strategic Partnership.

A summary of the Committee's net revenue expenditure was reported in a table and it was estimated that this would decrease overall between 2010/11 and 2011/12 by £382,647. The main reasons for this were shown in a further table, with additional commentary for each of the known and internal changes and additional changes identified.

Appended to the report were a line-by-line analysis of the Committee's budgets, a summary of the budgets at cost centre level and a breakdown of the changes between 2010/11 and 2011/12 for each cost centre. The position on inflation was reported, together with the general basis of the 2011/12 base budget. With regard to concurrent functions, in previous years these had been increased by inflation as measured by the Retail Price Index, which at September stood at 4.6%. It was noted that the Medium-Term Financial Plan included a provision of 2% and this aspect would need to be considered by the Committee as part of the Council's overall budget. Next, the report looked at capital investment and a table showed details of the current approved schemes. Finally, the report considered proposed fees and charges for 2011/12, which were shown in detail as a further appendix.

In considering the report, Members submitted questions about the budget increase for concurrent functions and the payments made for the electoral registration canvass.

RESOLVED:-

- (1) That the proposed revenue income and expenditure for 2011/12 for the Committee's services are included in the consolidated proposals for the General Fund.***
- (2) That the proposed fees and charges for 2011/12 are approved.***

FM/64. **BUDGET REPORT 2011/12 INCORPORATING THE CONSOLIDATED BUDGET PROPOSALS AND FINANCIAL PLAN TO 2016**

A report was submitted to detail the Council's overall financial position for the 2011/12 budget round. Essentially, it built on the financial plan and strategy approved in October 2010 and covered the following sections:-

- The Council's provisional financial settlement for 2011/12 and 2012/13 with estimated on-going implications for 2013/14 and beyond.
- The Council's current spending and proposed base budget position for 2011/12.
- The General Fund's 5-year financial projection including proposed spending by policy committees and associated analysis to 2015/16, which formed the Medium Term Financial Plan (MTFP).

- The proposed council tax base for 2011/12 and collection fund position, 2010/11.
- A review and update of the existing capital investment programme and financing available.
- Outline proposals for meeting the shortfall in overall government grant from 2011/12 and the projected budget deficit.

The report included an executive summary and overall commentary. This reminded of the Committee's consideration of the medium-term financial position and the Government's policy to reduce financial support in overall terms to local government. It referred to projections on general fund balances and the background to the improved position, together with remodelling of other key financial variables based on the most up-to-date information. However, it was acknowledged that this position was prior to the announcement of the Comprehensive Spending Review (CSR). The Council's provisional settlement was published on 13th December 2010, showing a reduction in mainstream formula grant of 14.8% in 2011/12 and 11.5% in 2012/13. In addition, based on the settlement, formula grant was estimated to reduce by 28% in total over the spending review period to 2014/15. However, a proportion of this would be offset by a New Homes Bonus (NHB) and an estimated position was shown in a table within the report. Background was provided on the NHB which sought to encourage authorities to build new homes. The amount payable would be subject to the increase in the property tax base each year, the number of empty properties brought back into use and the number of affordable homes brought onto the market. However, there was insufficient detail on how NHB would be financed beyond 2012/13. The effect of NHB was projected to be fairly neutral, with no increase after 2012/13.

The figures for formula grant were currently provisional for the next two years, with the figures for years 3 and 4 of the CSR period being estimates. A table was included within the report showing the mainstream formula grant figures in the MTFP and an analysis of the grant settlement was provided in the detail of the report.

Next, the report looked at the effect on the MTFP and such significant reductions would provide an additional financial challenge for the Council. The Council faced a budget deficit in its General Fund services from 2011/12. Under this heading, further detail was provided on the outcome from the transfer of concessionary travel to the County Council, a review of the current base budget and receipts from a VAT refund. In addition, £887,000 would need to be set aside to cover the projected budget deficit in 2011/12, dependant on how quickly additional budget savings could be made. Further tables were included on the projected budget deficit and projected balance levels for the period to 2015/16. It showed that the overall financial position was unsustainable in the medium-term with the level of balances projected to fall substantially below the minimum level of £1million by 2013/14.

It was imperative that further budget savings were made and several areas were currently being reviewed. This would seek to identify savings and

efficiencies. Subject to approval of detailed proposals, a programme would commence from April 2011. Further savings were expected from the re-tendering of the Leisure Management Contract and the Grounds Maintenance Service was currently being re-tendered.

The projection allowed for the capital commitments of £1.5million over the next five years to be financed from balances. If capital receipts could be realised over this period, it would improve the situation. However, the current capital programme allowed for no new investment and pressure remained on budgets. Next, a summary was given on assumptions and risks. There were many variables within the Council's budget and forward projections. Provisions continued to be made for known variations and sums were set aside, for example to deal with interim costs of implementing the Pay and Grading Review. The Base Budget for 2011/12 and MTFP were considered to be realistic, but prudent.

Further sections of the report then expanded on the detailed background and base budget analysis, the proposed base budget and consolidated spending for 2011/12 and the General Fund five year financial projection to 2015/16. Detail was also provided on the Council Tax, tax base and collection fund, together with capital investment and financing. A presentation was given to supplement the report, highlighting key issues for the Committee to consider.

A question was submitted about the formula grant and the protection that had been provided to the Council. Officers explained how this national distribution of grant had been reviewed and was now based on needs rather than population levels. There was further discussion about the NHB and how this had been treated for the budget, given the uncertainty over funding beyond the first two years. Another issue raised was the Government's incentive for councils to freeze the level of Council Tax. Officers were thanked for the comprehensive and clear report provided.

RESOLVED:-

- (1) That the estimates of revenue income and expenditure for 2011/12 for the General Fund are approved.***
- (2) That the Committee approves the recommendations submitted by the Housing and Community Services Committee on the level of grants to voluntary bodies and agrees to maintain current funding levels to parish councils under concurrent functions.***
- (3) That the Council Tax Base for 2011/12 of 31,855 properties is approved.***
- (4) That a surplus of £895,000 be declared on the Collection Fund for 2010/2011.***
- (5) That the Committee approves in principle a council tax freeze for 2011/12, in accordance with the offer of specific grant from the Government.***

- (6) That the updated 5-year financial projection on the General Fund to 2016, including associated assumptions and risks as set out in the report, be approved.**
- (7) That progress on proposals regarding further budget and efficiency savings is reported to the Committee on 15th February 2011.**
- (8) That the updated capital investment programme and available financing to 2016 is approved.**
- (9) That the decisions made in resolutions (1) to (8) above are used as the basis for consultation with local residents, businesses, voluntary and community groups, and are subject to review by the Overview and Scrutiny Committee.**

FM/65. **LOCAL GOVERNMENT ACT 1972 (AS AMENDED BY THE LOCAL GOVERNMENT [ACCESS TO INFORMATION] ACT 1985**

RESOLVED:-

That, in accordance with Section 100(A)(4) of the Local Government Act 1972 (as amended), the press and public be excluded from the remainder of the Meeting as it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that there would be disclosed exempt information as defined in the paragraphs of Part 1 of the Schedule 12A of the Act indicated in brackets after each item.

LAND AT MELBOURNE (Paragraph 3)

The Committee approved terms for an access and easement.

VOLUNTARY REDUNDANCY SCHEME (Paragraph 4)

The Committee approved changes to the Council's Voluntary Redundancy Scheme.

J. HARRISON

CHAIRMAN