
REPORT TO:	FINANCE and MANAGEMENT COMMITTEE (SPECIAL – BUDGET)	AGENDA ITEM: 6
DATE OF MEETING:	15th JANUARY 2009	CATEGORY: RECOMMENDED
REPORT FROM:	DIRECTOR OF CORPORATE SERVICES	OPEN
MEMBERS’ CONTACT POINT:	KEVIN STACKHOUSE (595811)	DOC: u/ks/budget round 0910/fm committee
SUBJECT:	SERVICE BASE BUDGETS 2009/2010	REF:
WARD (S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 08

1.0 Recommendations

- 1.1 That the proposed revenue income and expenditure for 2009/10 for the Committee’s Services are considered and included in the Council’s consolidated budget.
- 1.2 That the proposed fees and charges for 2009/10 as detailed in Appendix 4 are considered and approved.

2.0 Purpose of Report

- 2.1 To detail the Committee’s proposed base budget for 2009/10. This includes an overview of the Committee’s main spending areas and some of the main cost pressures facing its services.
- 2.2 It is proposed that the estimated income and expenditure is included in the consolidated budget of the Council for 2009/10 subject to the Council’s overall financial position as proposed in the Medium Term Financial Plan (MTFP).
- 2.3 The report also sets out proposals for the level of fees and charges under the responsibility of this Committee for the next financial year. A summary is also included of the Committee’s existing capital investment programme.

3.0 Executive Summary

- 3.1 The Committee’s net revenue expenditure is summarised in **Appendix 2**. This sets out the budgets for each main cost centre and aggregates several of the main service areas.

- 3.2 In addition, **Appendix 3** details a “line by line” breakdown of every cost centre. The Committee is responsible for some large spending areas, in particular the main support services’ budgets, together with the corporate, management and democratic costs of the Council.
- 3.3 It is also responsible for the strategic management of the Council’s property portfolio, revenue collection, benefit payments, concessionary travel and treasury management. As such, the associated income and expenditure can have a big influence on the Council’s overall financial position.
- 3.4 In addition, several of these spending areas provide the statutory, support and advisory functions of the Council. Consequently, in accordance with local government accounting regulations, a substantial amount of the Committee’s costs are recharged/allocated across other services and accounts, within this Committee and across other Policy Committees.
- 3.5 The following table provides an overall summary of the Committee’s net revenue expenditure.

Analysis of Net Revenue Expenditure 2007/08 to 2009/10	Actual Out-turn 2007/08 £	Approved Budget 2008/09 £	Proposed Budget 2009/10 £
Central and Departmental Support Accounts	9,975,592	10,367,973	5,981,079
Concessionary Travel	781,973	797,821	862,855
Corporate and Democratic Costs	854,553	858,278	1,024,872
Electoral Registration	138,247	92,633	140,405
Interest Payments and Receipts	(200,326)	(106,887)	(41,180)
Internal Trading Accounts	197,774	221,838	201,744
Payments to Parish Councils	187,836	212,580	212,770
Property and Estates	(351,007)	(338,441)	(181,019)
Revenues and Benefits	(669,288)	(550,603)	71,984
Committee Total	10,915,354	11,155,192	8,273,510

Note – Figures in brackets denote net income

- 3.6 The above table (and **Appendix 2**) show that the Committee’s net expenditure is estimated to reduce overall between 2008/09 and 2009/10 by £3,281,682. In summary, this can be accounted for as follows.

Transfer of LSP Budget to Housing and Community Services Cttee	(£19,000)
Departmental/Employee Costs transferred to Policy Committees	(£3,418,500)
Reduction in Leasing Costs	(£35,213)
One-off expenditure falling out	(£84,500)
Net Reduction in Interest Received	£71,686
Other Changes in the Base Budget	£203,845
Total Overall Decrease	£3,281,682

Note – Figures in brackets denote less expenditure

- 3.7 An analysis of these variances is detailed across services in **Appendix 1**. The above table highlights some large variances, the most significant being £3,418,500 relating to Departmental and Employee costs.
- 3.8 However, it should be noted that these are not reduced costs to the Council. They represent the cost of the main departmental accounts for service departments (leisure, planning, housing and health, etc.) that have previously been charged to and then reallocated from Finance Committee.
- 3.9 From 2009/10, the costs of employees and the associated overheads will be charged straight to the cost of the service that they directly support.

Reduction in Leasing Costs

- 3.10 These are part of the approved strategy to reduce the burden on revenue accounts in future years by winding down leasing agreements on vehicles and plant when they expire. Replacement assets are currently purchased and financed from a Renewals Fund in accordance with a vehicle replacement programme.

One-off Expenditure

- 3.11 This relates to expenditure where approval to spend runs out after 2008/09. It typically relates to one-off expenditure in the year that was approved to top up certain budgets or to meet one-off issues in 2008/09. The total of £84,500 is made up as follows:
- Supplementary budget for maintenance of Civic Offices - £14,500
 - External support for implementation of Single Status - £10,000
 - Local Assessment Regime - £25,000
 - Purchase of new Elections System - £35,000

Maintenance of Civic Offices

- 3.12 The one-off increase in this budget for 2008/09 has helped to ease the pressure on maintenance liabilities. However, it is still considered by budget officers that the on-going demand and commitments will continue to place pressure on the overall budget.
- 3.13 The Committee may need to consider this at some stage or allocate some additional resources to this budget if they become available. In the meantime, on-going monitoring of spending needs to continue.

Interest Received

- 3.14 As reported to Committee in October and November 2008, the Council has seen a reduction in interest on its short-term investments due to the volatility of financial markets and in particular, the recent lowering of base interest rates.

- 3.15 From an average rate of 5% estimated in the 2008/09 base budget latest projections indicate an average of around 2.75% for 2009/10. Interest has been calculated on this basis.
- 3.16 A full analysis of the Council's borrowing and lending requirements will be provided in the Treasury Management Strategy for 2009/10. This will be reported to Committee in February alongside the final budget proposals for next year.

Other Changes to the Base Budget

- 3.17 The other major variance is "other changes," totalling just over £203,000. The main reasons for this are summarised in the following table.

Rent on Industrial Property due to lease expiring (this has previously been allowed for in the MTFP).	£167,000
Increase in gas and electricity costs on the Civic Offices (as reported to Committee in December 2008) – full year effect	£19,000
Increase in costs of Concessionary Travel (see note below)	£65,000
Increase in housing benefit subsidy (see note below)	(£42,000)
Other variations	(£6,000)
Total Variance	£203,000

Concessionary Travel

- 3.18 This issue has been a regular feature of budget monitoring reports to Committee throughout the year. The estimated increase at this stage of £65,000 is due to the increasing costs of the scheme, awarded to (through appeal) and being claimed by bus operators for 2008/09.
- 3.19 However, this is likely to change fairly significantly as the distribution of costs for the new scheme are now close to being determined, based on data on actual usage in each area.
- 3.20 Initial indications suggest that the Council could be in a much better position. When this is finalised, the revised position will be reported to Committee and budgets amended accordingly.

Housing Benefits

- 3.21 The Council pays out and administers local housing benefit payments, effectively acting as agents for the Government. The Government largely reimburses the cost although this depends to a certain extent upon performance in processing, together with pro-active work undertaken to detect and prevent fraud.

- 3.22 Financially, this is a risk for the Council given the amounts involved (£14m paid in benefits per year) and where the final amount of reimbursement is not known until after a year has ended. This can make budgeting more difficult when a variation of ½% can have a fairly large impact overall.
- 3.23 In recent years, the Council has usually faired better than budget and the effect of this to some extent, has been built into the base budget for 2009/10.

Staffing and Departmental Budgets

- 3.24 As previously highlighted, the Committee is responsible for overseeing some of the main staffing budgets of the Council, although a majority of direct service provision has been allocated straight to the relevant services for 2009/10.
- 3.25 Budgets are adjusted each year to reflect any restructures, pay awards and salary (incremental) increases, etc.
- 3.26 These costs are subsequently recharged to service centres within this and the other main policy committees. Although representing a significant proportion of the Council's budget, these costs are generally fixed and known in advance.
- 3.27 Clearly, the current pay and grading review could alter this in the future, although provision has been made in the Council's overall consolidated budget for the additional costs that are anticipated (based on best estimates).
- 3.28 There are no major changes on the current base budget except for those known and included in the Council's overall financial plan. The main issue for staffing is the degree of external funding and income generation that funds certain posts.
- 3.29 This is more acute for some posts in Leisure/Community and Environmental Health where the amount of fee income is used to fund the post. These issues have been reported to and considered by the Environmental and Community Services Committees as part of their budget reports.
- 3.30 The posts have also been subject to a wider review by the Overview and Scrutiny Committee as part of their work on scrutinising the Council's overall budget proposals. Their findings and recommendations will be reported to this Committee in February.

4.0 Detail

- 4.1 All of the Committee's cost centres are detailed in **Appendix 3**. This shows a "line by line" breakdown of the Committee's Services for 2007/08 (actual) to 2009/10 (proposed) as contained in the Council's main accounting system. A summary is provided in **Appendix 2**, with a detailed analysis of variances in **Appendix 1**.
- 4.2 Unlike previous years, they exclude the costs of internal support service charges, together with any capital accounting and statutory pension

adjustments. These will be allocated across services in accordance with accounting practice, when the overall budget has been approved.

Inflation

- 4.3 In addition, the proposed base budget for 2009/10 does not at this stage allow for inflation. Clearly, some base costs will be subject to inflation during the year and in some cases it will be “unavoidable,” for example employee costs, when national pay increases are settled.
- 4.4 Allowances for inflation based on various assumptions regarding price increases, etc. will be calculated across the main spending heads and in total, held as a central contingency. An increase of 5% is being proposed for Concurrent Functions (payments to Parishes) representing the level of general inflation in September 2008.
- 4.5 The overall contingency for inflation will be reviewed and monitored by this Committee separately and allocated into service budgets, as the actual effects of inflation become known over the year.

Formulating the 2008/09 Base Budget

- 4.6 The estimates are also based on service levels in 2008/09 continuing, and include any full year effects of previous year’s growth and capital expenditure. However, any non-recurring and one-off items have been removed.

Capital Investment

- 4.7 The Committee currently has the following schemes in the Council’s approved capital investment programme.

SCHEME	BUDGET £’000	NOTE
Repairs to Village Halls and Community Facilities	91	Amount set-aside pending transfer of management to parish/community groups. Approximately ½ is currently committed.
Planned Maintenance Programme (on public buildings and commercial portfolio) including Disability Access Improvements	225	Originally, £1/2m approved in 2005. Essential works undertaken based on completed stock condition surveys. £67,000 spent/committed in 2008/09. Next round of priority works currently being packaged. A contingency sum will then be held back.
I.T. Infrastructure	70	To upgrade the local area network and hardware in 2008/09. Funded from the I.T. Reserve.
Contributions to Renewals Fund	225	Fixed amount per year to replace vehicles and plant.
Replacement of Civic Car	20	Provision made in 2009/10.
Repayment of Covenants	575	Average repayment is £140,000 per year to 2012.

Proposed Fees and Charges 2009/10

- 4.8 **Appendix 4** provides a schedule of the proposed level that will operate from 1st April 2009, together with a comparison to the existing charge. No major changes are proposed for 2008/09 and generally, it is proposed that fees and charges are increased on average by around inflation.

5.0 Financial Implications

- 5.1 As detailed in the report.

6.0 Corporate Implications

- 6.1 As detailed in the report.

7.0 Community Implications

- 7.1 The proposed budgets and spending under the responsibility of the Committee, provides the financial resources to enable many of the on-going services and Council priorities to be delivered to the local community.

8.0 Background Papers

- 8.1 None