
REPORT TO:	FINANCE and MANAGEMENT COMMITTEE (SPECIAL – BUDGET)	AGENDA ITEM: 7
DATE OF MEETING:	14th JANUARY 2010	CATEGORY: RECOMMENDED
REPORT FROM:	DIRECTOR OF CORPORATE SERVICES	OPEN
MEMBERS’ CONTACT POINT:	KEVIN STACKHOUSE (595811)	DOC: u/ks/budget round 1011/policy reports/fm committee
SUBJECT:	SERVICE BASE BUDGETS 2010/2011	REF:
WARD (S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 08

1.0 Recommendations

- 1.1 That the proposed revenue income and expenditure for 2010/11 for the Committee’s Services are considered and included in the Council’s consolidated budget.
- 1.2 That the proposed fees and charges for 2010/11 as detailed in **Appendix 3** are considered and approved.

2.0 Purpose of Report

- 2.1 As part of the annual financial planning cycle, the report details the Committee’s proposed base budget for 2010/11, with a comparison to the current year, 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 2010/11 subject to the Council’s overall medium-term financial position. This is subject to a separate report later on this Agenda.
- 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 Summary and Overview

- 3.1 The Committee is responsible for some large spending areas, in particular the main support service functions, together with the corporate, management and democratic costs of the Council.

- 3.2 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.
- 3.3 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 and allocated across other services and accounts, within this Committee and across other Policy Committees.

The Council's Overall Financial Position

- 3.4 It is expected that the Council's overall situation will tighten further in 2010/11 with knock-on effects over the life of the Medium-Term Financial Plan (MTFP) to 2015.
- 3.5 In addition, 2011/12 has already been identified as a critical year financially for the Council, as the current budget deficit will push the level of general reserves below the safe minimum level if not addressed during 2010/11.
- 3.6 A report later on this Agenda considers the detail of the overall financial position, including proposals in this report. Therefore, it is important that the Committee separately scrutinises its own spending base closely.

Efficiency Savings Identified

- 3.7 The Committee, through the Business Improvement Programme and Procurement Strategy, is responsible for co-ordinating and indeed delivering, efficiency savings. This is an on-going process and the Council's efficiency achievements to-date, together with future plans, forms part of the MTFP.
- 3.8 As previously reported, in recent months, the Council's Business Improvement Unit has delivered further cashable savings in 2009/10 of approximately £56,000. This has been achieved through improving the purchase of stationery, protective clothing and electricity.

Corporate Services Partnering Project

- 3.9 In addition, the Council is about to progress the final stage of procuring a private sector partner to deliver some of the Committee's main service areas. As part of the business plan, it is expected that cashable savings will be generated.
- 3.10 However, these have not been built into the base budget at this stage as they are currently subject to commercial negotiations. Consequently, they will not be confirmed until later in the year.
- 3.11 The following table provides an overall summary of the Committee's net revenue expenditure.

Analysis of Net Revenue Expenditure – Base Budgets 2009/10 to 2010/11	Approved Budget 2009/10 £	Proposed Budget 2010/11 £	Change £
Central and Departmental Support Accounts	4,965,684	4,831,001	(134,683)
Concessionary Travel	332,999	441,610	108,611
Corporate and Democratic Costs	1,214,603	1,145,231	(69,373)
Electoral Registration	50,392	51,041	649
Interest Payments and Receipts	52,075	19,515	(32,560)
Internal Trading Accounts	29,522	56,902	27,380
Payments to Parish Councils	222,468	223,289	821
Property and Estates	(258,518)	(248,564)	9,953
Revenues and Benefits	77,613	109,828	32,215
Committee Total	6,686,840	6,629,853	(56,987)

Note – Figures in brackets denote net income and a reduction in net expenditure in the change column.

3.12 The above table shows that the Committee's net expenditure is estimated to decrease overall between 2009/10 and 2010/11 by £56,987. In summary, the main reasons for this are as follows:

	£'000
One-off expenditure in 2009/10	(95)
Internal Recharges	(75)
Efficiency Savings (as highlighted earlier in the report)	(56)
Reduction in interest (Covenant Finance)	(36)
Reduction in Government Grant	101
Pay inflation and incremental increases	73
Other cost increases (net)	32
Total Overall Decrease	(56)

Note – Figures in brackets denote less expenditure or greater income

3.13 After allowing for the reduction in internal recharges (£75,000), there is in fact an **increase** for the Committee of approximately £19,000. An analysis of all variances is detailed across services in **Appendix 1**.

3.14 The reduction in Government Grant relates specifically to concessionary travel and housing benefit administration.

Concessionary Travel Grant

3.15 Following the introduction of the new Concessionary Travel Act (2007) which gave free bus travel to all over 60s from April 2008, councils were given a special grant to allow for the increased costs. South Derbyshire received £150,000 for the 3 years 2008/09, 2009/10 and 2010/11.

3.16 The Government has in recent months reviewed where additional costs have actually been incurred. Consequently, they have indicated that they will change the distribution of the national pot for 2010/11.

3.17 For South Derbyshire, this will mean a reduction in grant of £75,000 (50%) for next year. There will be no claw back in respect of the previous two years. However, this reduction had not been allowed for in the current MTFP.

Housing Benefit Administration

3.18 In addition, the overall specific grant towards the costs of administering the Benefits Service, will be reduced in 2010/11 by approximately £26,000 (5%). This follows the Government's on-going commitment to achieving efficiency savings in this area.

Pay Inflation

3.19 This includes the effect of the national pay settlement for 2009 (of 1%) on pay and allowances, as budgeted in the Council's inflation provision.

Other Changes to the Base Budget

3.20 Other cost increases total approximately £32,000 when netted down. Within this, there are some larger variances, and these are detailed in the following table.

Anticipated increase in the cost of concessionary travel (7%) – this is in addition to the reduction in the grant.	£34,350
Increase in pension costs for early retirements/redundancies – previously approved and included in the MTFP.	£21,450
Net increase in the cost of benefits following substantial increase in payments (in addition to reduction in grant)	£17,200
Cost of asset disposals previously capitalised, following change in accounting regulations (budgeted in MTFP).	£10,000
Other increases, mainly external audit and inspection fees, together with discretionary rate relief	£9,000
Reduction in leasing costs for vehicles (as planned)	(£47,000)
Other reductions in transport - fuel, materials and repairs	(£13,000)
Total (Net)	£32,000

4.0 Detail

4.1 All of the Committee's cost centres are detailed in **Appendix 2**. This shows a "line by line" breakdown of the Committee's Services for 2008/09 (actual) to 2010/11 (proposed) as contained in the Council's main accounting system. A summary is provided in **Appendix 1**.

Inflation

4.2 The proposed base budget for 2010/11 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.

- 4.3 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.
- 4.4 In line with current policy, this contingency will be reviewed and monitored by the Finance and Management Committee and allocated into service budgets, as the actual effects of inflation become known over the year.

Concurrent Functions

- 4.5 In previous years, the Council has agreed to increase payments by inflation as measured by the Retail Price Index (RPI) as at September of the preceding year. As at September 2009, RPI stood at **minus** 1.4%, and this is the indicator that would be used on this basis for 2010/11 increases.
- 4.6 As most of the costs incurred by the parish councils under concurrent functions are broadly similar to that of the Council (staffing, energy, etc.) it would be practical to allow an increase in funding. This is considered in the consolidated report later on this Agenda.
- 4.7 It should be noted that allocations to individual parish councils for concurrent functions could change following the recent approval by the Committee to change the allocation basis from 2010/11. In the meantime, consideration of an inflationary increase will be in relation to the overall pot.

Other Issues

- 4.8 Other potential issues that could affect the financial position are summarised in the following table.

Business Rates Revaluation	The revised valuations for non-domestic properties including council owned buildings) that are due to be implemented on 1 st April 2010 have now been released. Overall, it is not anticipated that there will be additional cost implications for the Council and there may well be a reduction, in particular on the Civic Offices. Specific amounts are still being confirmed with the Valuation Office.
Boundary Commission Review	The Council's ward boundaries and democratic representation are currently being reviewed. Although not considered significant, this could entail additional costs for the Council from an increase in elected members due to the growth of the District from 2011/12.
Electoral Registration	Proposals currently out for consultation, may change electoral registration requirements. Currently, one canvass is required for each household; the main proposal is to change this to every individual at each address. This would lead to additional costs through printing, postage, canvassers fees and administration, etc.

Formulating the 2010/11 Base Budget

- 4.9 The estimates are also based generally on service levels in 2009/10 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

- 4.10 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	66	Amount set-aside pending transfer of management to parish/community groups. £25k is currently committed.
Planned Maintenance Programme (on public buildings and commercial portfolio) including Disability Access Improvements, stock condition surveys and EMAS works.	135	Originally, £1/2m approved in 2005. Essential works undertaken based on completed stock condition surveys. £87k spent/committed in 2009/10. It is recommended that the remaining amount be held as a contingency until further resources are identified.
Contributions to Renewals Fund	225	Fixed amount per year to replace vehicles and plant in accordance with replacement schedule.
Replacement of Civic Car	20	Provision made in 2009/10.
Repayment of Covenants	374	£224k in 09/10, £69k in 10/11 and £81k in 11/12.

Proposed Fees and Charges 2010/11

- 4.11 **Appendix 3** provides a schedule of the proposed level that will operate from 1st April 2010, together with a comparison to the existing charge. A detailed review of all fees and charges has been undertaken as part of the annual budget process.
- 4.12 Apart from inflationary increases, the main proposal is to introduce a new charge for council tax accounts who fail to notify the Council of a change of circumstances where they are currently in receipt of a discount or exemption. This is to recognise the administrative costs involved, but can also act as a deterrent against possible fraud.
- 4.13 The fee is detailed at Line 9 of Appendix 3.

5.0 Financial Implications

5.1 As detailed in the report.

6.0 Corporate Implications

6.1 There are no other direct legal, personnel or property implications apart from that considered 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