

Committee:	Executive	Agenda Item No.:	17
Date:	26th January 2009	Status	Open
Category	3. Part of the Budget and Policy Framework		
Subject:	General Fund Budgets – 2008/09 Estimated Outturn & 2009/10		
Report by:	Director Of Resources		
Other Officers Involved	Head of Finance		
Director	Director Of Resources		
Relevant Portfolio Holder	Leader of the Council		

RELEVANT CORPORATE AIMS

STRATEGIC ORGANISATIONAL DEVELOPMENT – to continually improve the efficiency and effectiveness of all Council Services by maximising the potential use of Council resources.

TARGETS

The development of Policy Led Budgeting will help to inform future spending plans and assist in the delivery of annual efficiency gain targets.

VALUE FOR MONEY

The Budget Process challenges existing spending levels and new spending proposals to ensure that resources are effectively used and directed towards the delivery of the Corporate Aims.

Introduction

1. This report presents the following budgets for Members consideration & approval:
 - 2008/09 estimated Outturn Budget – this is the current year budget revised to take account of changes during the financial year that will end on 31st March 2009
 - 2009/10 Original Budget – this is the proposed budget for the next financial year, on which the Council Tax will be based, and will commence from 1st April 2009

2. The detailed budgets for both years, including a risk assessment of material items of income and expenditure are contained within a separately bound document with this Agenda. The document is structured in such a way to demonstrate how the Council will invest in services that support the delivery of each of the Corporate Aims.

2008/09 estimated Outturn Budget

3. In February last year Members considered the budget for 2008/09 on which the Council Tax was determined and during the year reports have been considered as to how the levels of actual spend have compared to the original budget for the current financial year.
4. Budget holders have been consulted and the Outturn budget has been prepared to take into account the main changes during the last 10 months.
5. Members will be familiar with some of these budget pressures as they are similar to those Members will experience individually:
 - Higher fuel prices
 - Reduction in interest rates – slight impact
6. In addition the Council provides some services that are linked in part to the downturn in the property market etc. This has resulted in the following:
 - Planning fees income reduced by £110,500
 - Land Charges income reduced by £73,160
 - Building Control Consortium deficit, of which this Council's share is £19,180
7. Not all the changes to the current year's budget have been difficulties that need to be addressed. Savings that are greater in value than the pressures have been possible and these are:
 - Concessionary travel costs have been reduced by over £600,000 as the basis of sharing costs across the County has been revised based on usage data newly being collated
 - Earmarked reserves have been reviewed and where spending is not keeping up with contributions, the contributions have been reduced
 - Posts that have been vacant during the year have now been reflected in the budget
8. This position would have been further enhanced had the investments in Icelandic banks achieved their expected return.
9. Also in year officers have taken the opportunity to revise the allocations used to share the costs of central service costs (e.g. Human

Resources). This accords with good financial management but does mean that year on year comparisons of the costs of services does become more difficult.

10. When the budget for the current year was set the General Reserve was not affected. It is pleasing to report that the result of revising the budget for these pressures and savings is that the Council is now able to contribute £127,490 to the Working Balance, taking it to £1,527,490.

Original budget for 2009/10

11. Not only does the Council need to revise the current year budget but also generate detailed income and spending proposals for the next 12 months commencing from 1st April 2009.
12. Members will already have considered the income levels that are to be generated in the Council based on the assumptions detailed in the Fees and Charges report earlier on this agenda.
13. In addition to the fees and charges the Council charges for its services the Council's annual budget is made up of the following main elements:
 - Grants from Government
 - Expenditure, income levels and efficiencies
 - Options for the Council Tax level
 - Reserves to fund any gap in income or benefit from a surplus in available funds
14. The revised allocations used to share the costs of central service costs (e.g. Human Resources) continue in 2009/10 and will be maintained for future years. This needs to be allowed for when considering comparisons across years relative to the overall costs of specific services.
15. Each of these items is now considered in more detail below, specific to the Council's budget for 2009/10 and attached to the report is a summary of the General fund overall.

Grants from Government – Formula Grant

16. Last year's budget report detailed to Members that 2008/09 was the first year of a 3 year grant settlement for local government (linked to the Comprehensive Spending Review 2007 – CSR07) covering the period 2008/09 to 2010/11. The Government has announced a provisional settlement for the second of the three years. The final details have not yet been confirmed but based on the provisional settlement the Council can expect to receive £7,862,946 in "Formula Grant". Formula grant is the term used for the sum of the Revenue Support Grant (£1.4m) and the Redistributed Business Rates (£6.4m).

17. For 2009/10 this provisional grant settlement will give the Council an increase of £74,648 or less than 1%.
18. As with previous years and as indicated in the 3 year grant settlement detailed above, the Council is not in receipt of its true allocation of grant. The grant scheme operates with what are termed “floor damping arrangements”. These arrangements ensure that all authorities receive a minimum grant increase over the 3 year period. Without the “floor damping” the Council’s grant would have increased by a further £60,000.
19. The settlement figures continue to tell a very disappointing story, the message from Government is clear and consistent. Councils are expected to be more ambitious and innovative using revenue raising powers such as the new supplementary business rates and discretionary charging as well as exploring positively all opportunities to maximise efficiencies (efficiencies are considered later in the report).

Grants from Government – Area Based Grant (ABG)

20. This new grant, from 2008/09, remains non-ringfenced (meaning that there are no conditions attached to the way the funding can be used).
21. The funding is split into areas, these include Cohesion and Climate Change Planning Policy Statement (new from 2009/10) and then via the Local Area Agreement, the Working Neighbourhood Fund. The provisional notification of amounts is detailed in the paragraphs below.

Area Based Grant for Cohesion

22. This was new from 2008/09, this grant continues so Councils can promote community cohesion and support local authorities in preventing and managing community tensions. The Council will receive £48,529. No changes are planned for the way in which this is spent i.e. funding towards Community and Voluntary Partnerships for £30,000 in 2009/10 and £35,000 in 2010/11.

Area Based Grant for Working Neighbourhood Fund

23. The Council will continue to receive funding for the second year as part of the Working Neighbourhoods Fund. The fund will support the programmes already in place and others being developed to tackle worklessness and low levels of skills and enterprise in the most deprived areas. Funding in 2009/10 will amount to £2.440m and £2.535m in 2010/11.

Area Based Grant for Climate Change Planning Policy Statement

24. This is new for 2009/10 and amounts to £22,500. Whilst it too is not ring fenced it does accord with work going on in the Council and could

support this directly. The Director of Strategy chairs the Climate Change Group and has therefore identified the following items that could be funded by this grant, given the importance of the climate change agenda, the recent Climate Change Act (80% reduction on 1990 emissions figures) and the lack of any dedicated resource in the Council for addressing these areas:

- Resilience planning (in conjunction with DCC) for NI 188 which will involve assessing climate change risks, e.g. flooding and identifying resource to address these in all service plans. (LAA target)
- For NI 185 we need to reduce our own CO2 emissions and more expensive technological solutions would benefit from the grant
- Maximise opportunities in conjunction with the Local Authorities Energy Partnership (LAEP) and Marches Energy Agency to address NI 186 for reducing per capita emissions (LAA target)
- Funding to tackle fuel poverty, NI 187

Grants from Government – Local Authority Business Grant Incentive

25. The budget has assumed no income from this grant. At this point in time no details are known about the overall levels of growth in business rates, nor the share that this Council will gain. This is less significant than in previous years as the overall level of funds provided by Government for this have been cut significantly and the scheme methodology has been the subject of a consultation exercise, the results of which are still awaited. Once funding is known it will be reported to Members.

Expenditure to be incurred in 2009/10

26. The preparation of these budgets has seen a number of changes impacting upon the services. Some of these changes reflect the current economic situation; others reflect changes within the Council.
27. Compared to the budget the Members were considering 12 months ago for 2008/09 there are a number of pressures and savings to be considered.

Budget Pressures

28. The budget pressures are in part similar to those that have been detailed for the 2008/09 Outturn but added to these are others that need to be detailed for Members consideration. All these pressures are detailed below.
29. Single status conditions & job evaluation.

Staffing costs are subject to significant changes because of the proposed implementation of this from 1st April 2009. The budget has

been prepared on the basis of pre appeal salary levels and prior to the equal pay audit. Back pay, once calculated, will be funded from reserves.

30. Pay award.

The staffing budgets for next year are based on a pay award of 1.75%. This is a reduction from the 2008/09 level of 2.5%, to reflect the reductions in inflation.

The 2008/09 award has been paid to staff but as part of that settlement it has been referred to arbitration, to which no further details have been made known. Based on the current economic climate this budget assumes that no further increase will be awarded.

31. Investment interest.

The Council has not been immune to the reductions in interest rates that have taken place during 2008/09. Its impact in 2008/09 has been minimal as a number of these investments have been for periods of up to one year. As these investments mature the rates on offer and predicted for 2009/10 are significantly lower. This is further magnified by the slowdown in asset sales and the Icelandic banks' problems. Overall this is a reduction of almost £400,000 against the 2008/09 original budget and over £600,000 against the actual outturn in 2007/08.

32. Building Control deficit.

The joint working consortium has carried a deficit from previous years of operation and a decision to share this with the three councils has added approximately £19,180 to this Council's budget.

33. Higher energy prices.

The Council has purchased its energy via a consortium of councils throughout 2008/09 at a very advantageous price, hence there being no pressure from this in 2008/09. This contract is due to end on 31st March 2009. The contract that replaces it is for one year only but does lead to a considerable increase in budgets over 2008/09. It has been estimated that the increase is 75%. Any variations in year will be reported via the quarterly budget monitoring reports.

34. Kissingate Leisure Centre

The fire at the Centre has triggered an insurance claim, not only to deal with the replacement costs but also for lost income. The budgets have been changed to reflect cancelled services e.g. Gas. Staff have been redeployed where possible.

35. Fees and Charges

The report earlier in the agenda addressed this issue and indicates that overall income will be down by approximately £116,000.

36. Pressures in 2009/10.

As detailed above for 2008/09 this budget is also affected by:

- Higher fuel prices
- Planning fees income reduced by £60,500
- Land Charges income reduced by £73,160
- Continuation of temporary Customer Services staffing to the end of June (£11,890) to coincide with the Depot closure and outcomes on mobile working, to accord with Council's decision in December.

Budget Savings

37. The savings made in 2008/09 continue into 2009/10 so the budget pressures as detailed above are neutralised in part by:

- Concessionary travel costs reduced by over £600,000 based on usage data across the County. This data is increasing in accuracy and there may be minor changes during the year.
- Earmarked reserves continue to be reviewed.

38. New to the budget is the introduction of a vacancy factor. The staff budgets have all been based on the Council's approved structure and that all posts are filled. In reality we know there will be staff changes in the year and the vacancies generate a saving to the budget. Over the last 3 years this has been at approximately 3%. It has therefore been decided that this can be built into the budget for successive years. This amounts to £355,000.

39. The Government's funding of promoting swimming for certain age groups has been included in the budget and the income levels dropped to reflect it. Overall the Council expects to see a net increase in income.

Efficiencies

40. The Government revised its Gershon saving in its Comprehensive Spending Review 2007 (CSR 07) such that all efficiencies now have to be 100% cashable, up from the previous 50%. The revised target of over £600,000 is a significant sum for the Council to generate annually. To achieve this Management Team meet monthly to consider options and evaluate progress of existing projects. The current year's work has been to get a number of officers trained in business process improvement at minimal cost to the Council. These officers will then

undertake work across the whole Council. Other specific projects such as the mobile working will generate savings for the Housing Revenue Account. Within the General Fund budget it is assumed £450,000 will be generated in efficiencies in 2009/10.

41. The Government have indicated that the targets set for local government will be increased in the Chancellor's budget statement later in 2009. No more details are known as yet.

Budget Bids

42. Due to the significant pressures on the budget for 2009/10 no budget bids are recommended for approval. Services will therefore need to report to Executive any changes that are required and how these can be funded to minimise the impact on the Council. If the actual outturn spend is advantageous to the Council it would be possible to consider certain bids at that time.

Council Tax Implications for 2009/10

Council Tax Base

43. In preparation for the budget, the Council meeting on 21st January 2009 will have considered the Council Tax Base at Band D. It is recommended that this be set at 22,532.31. This is an increase of just over 73 Band D equivalent properties. Overall this increase is 0.3%, a reduced increase from previous years.

Council Tax Options

44. The Council's part of the Council tax bill was set in 2008/09 at £152.46 for a Band D property.
45. The Council has a range of options when setting the Council Tax. The Government indicate what upper limit they consider acceptable, this has been notified to the Council as being "significantly less than 4%". Any increase in Council Tax that does not match the overall spending of the Council, less Government Grants, will mean that funds need to be withdrawn from the General Reserve.
46. A £1 increase in Council Tax will generate £22,532, a 1% increase (£1.52) will generate £45,297. The table below shows some of the options, the extra revenue generated and the impact on the General Reserve.

Increase %	New Band D £	Increase		Revenue		Working Balance	
		Annual £	/ week £	Total £	Extra £	Used £	Remaining £
0.5%	153.22	0.76	0.01	3,452,401	28,282	-327,223	1,200,267
1.0%	153.98	1.52	0.03	3,469,525	45,406	-310,099	1,217,391
1.8%	155.20	2.74	0.05	3,497,015	72,896	-282,609	1,244,881
2.5%	156.27	3.81	0.07	3,521,124	97,005	-258,500	1,268,990
3.0%	157.03	4.57	0.09	3,538,249	114,130	-241,375	1,286,115
3.5%	157.80	5.34	0.10	3,555,599	131,480	-224,025	1,303,465
4.0%	158.56	6.10	0.12	3,572,723	148,604	-206,901	1,320,589

47. An increase that is significantly below the Government's thresholds reduces the levels of revenue that can be generated in future years. Equally, an increase that requires a contribution from the General Reserve to fund ongoing expenditure cannot be considered a long term solution.
48. The area has almost 34,000 properties in its area. Significant numbers of properties are in Bands A to C (94%, of which 63% are in Band A), which reduces the value of the actual Council Tax bill increases by up to 1/3rd.
49. The Council has responded positively to the current economic downturn. Options exist for the Council Tax level to be set low to further support those affected by this situation. The ability for individuals to claim Council Tax benefit also mitigates the impact of increases on those in the greatest need. During the last 12 months the number of claimants has increased by 2%.
50. The Council Tax bill will include the values for the precepting bodies. The most significant element is that for the County Council, almost 70%. Based on previous increases it is estimated that this element of the bill will increase by 3%. Police & Fire bodies will be facing significant pressures and it is unlikely that these elements of the bill will increase by less than 3%.
51. The Budget has been based on a Council Tax increase at Band D of 1.8%. This increases the Band D value to £155.20, an increase of £2.74 per annum. It is expected this will be one of the lowest in Derbyshire and is less than half the expected national rise of 3.7%.
52. This year additional information will be required on the bill. It is expected that a Statute will be approved that requires the bill to show details of the Government's calculated efficiency targets for those bodies with efficiency targets.

Reserves

53. In balancing this budget the Council has taken account of efficiencies and a vacancy factor that when added together amount to £805,000. Based on a Council Tax rise of 1.8%, the Working Balance is also will be reduced to balance the budget. This reduction in the working balance will amount to £282,609.
54. Over the two years this is a net reduction in the Working Balance of £155,119.
55. The Working Balance will therefore be £1,244,881. This value is acceptable as the historic value of £1.4m is considered excessive. It is proposed that a new limit be established to guide the Council and this be set at £1.2m.
56. The separately bound document with this Agenda provides:
- Details of the individual service budgets
 - A summary of the Council's earmarked reserves and provisions
 - Consideration of risks associated with the budget.

Sensitivity Analysis

57. To assist Members in considering the budget for 2009/10 officers are seeking to introduce a detailed sensitivity analysis of the main area of expenditure. In achieving this for the bigger areas of the budget, officers need to load the budgets from spreadsheets into the ledger. It is anticipated that this will be done after Scrutiny and a sensitivity analysis be available for Members at Council on 4th February, prior to the final approval of the budget.
58. Certain aspects of the budget can be assessed and these are detailed below.
59. Treasury Management

As detailed earlier in this report, this budget has seen significant reductions from the levels actually achieved in 2007/08. The values associated with potential changes are shown below:

% change	General Fund Impact	HRA Impact £
+ 1.0%	Income of £161,929	Income of £11,611
+ 0.5%	Income of £80,966	Income of £5,806
- 0.5%	Pressure of £80,966	Pressure of £5,806
- 1.0%	Pressure of £161,929	Pressure of £11,611

Reserves could be used to address the pressures for one year but the Council would need to use that time to address the longer term impact to seek to prevent further use of reserves.

60. Energy

The base budget has been increased in 2009/10 by 75%. The table below shows the sensitivity analysis for this expenditure, net of any income in 2009/10.

% change	General Fund Impact	HRA Impact
-25%	Saving of £39,731	Saving of 36,543
+10%	Pressure of £15,893	Pressure of £19,8253
+25%	Pressure of £39,731	Pressure of £43,983
+50%	Pressure of £79,463	Pressure of £84,246

Reserves could address this in the short term but the need for energy reduction schemes would be increased otherwise services would be impacted upon.

61. Certain elements of the budget are fixed and will not vary during the year and are:

- Debt charges
- Government's Formula Grant

OVERALL ASSESSMENT OF THE 2009/10 BUDGET

62. There is a requirement in CIPFA's guidelines that budgets presented to Members carry the comments of the Council's responsible financial officer. As the author of this report I can confirm that:

- The levels of reserves are considered to be adequate to fund planned expenditure identified by the Council.
- The estimates are considered to be robust, employee costs are based on the approved establishment, investment income is based on the advice of the Council's Treasury Management Advisors and income targets are considered to be achievable.

63. Subject to consideration and approval by the Executive the budget will be reported to Scrutiny. Comments of Scrutiny will be referred back to Cabinet. The budget will then be presented to Council on 4th February 2009. The approval of the budget by the Executive will allow the statutory consultation to take place, again this will be reported to Cabinet.

Medium Term Financial Planning

64. The assumptions built into the 2009/10 budget have been carried over in the two successive years.
65. In addition it has been assumed that:
 - The levels of Council Tax increases in 2010/11 and 2011/12 are 3%. (These will be considered in further detail as part of the budget process next year)
 - Tax Base to increase at same level (0.3%) for 2010/11 and 2011/12
 - Government Grant will increase by 0.8%
66. Taking just these factors into account each of the successive years shows a finding gap of almost £650,000 in 2010/11 and over £1.1 in 2011/12.
67. This level of spending cannot be absorbed by use of reserves. The Council therefore faces severe financial pressure in the medium term. Without significant changes it will not meet the current policy on Working Balances to be maintained at least 10% of the Budget Requirement.
68. There are some additional changes that have not been factored into these future year budgets, all of which could add additional pressures. These are:
 - Concessionary Travel could be subject to additional costs from operator appeals
 - CIPFA's guidance on adjusting budgets to reflect any treasury management assets that will not materialise in future years
 - Collection fund deficits that might materialise due to the economic downturn
 - In 2011/12 it is expected that Concessionary Travel will be transferred by the Government to the County level. The unknown at this time is what grant funding will be withdrawn also.
 - Certain aspects of Job Evaluation remain to be finalised such as the equal pay audit, final appeals etc
 - Employer costs are expected to rise but the final details are not yet known, there relate to national insurance and superannuation.
 - CSR07 will have run its 3 years and the Government will be consulting on its proposals for CSR10 during this period
 - A general election will have taken place

IMPLICATONS

Financial: A budget for the General Fund of £11.4 m in 2009/10 would result in a Council Tax increase of 1.8%.

Legal: The Council must approve a budget prior to the commencement of the new financial year

Human Resources: None

RECOMMENDATION(S)

1. That the estimated outturn for 2008/9 of £11,212,360 be approved.
2. That the proposed budget for 2009/10 of £11,384,061 be approved.
3. That a Council Tax increase of 1.8% be approved.
4. That the Director of Resources' view that the level of reserves and working balances are adequate and that the estimates for 2009/10 are robust be accepted.
5. That the report be presented to Scrutiny on 28th January 2009 for their consideration and comment.
6. That based on any comments from Scrutiny being considered by Cabinet the budget be presented to Council on 4th February 2009.

REASON FOR DECISION

The budget for 2008/09 is revised at this time to align it with the expected outturn. This is good financial management.

The Council is required to approve a budget for 2009/10 on which the Council Tax can be based. This must be a balanced budget.

ATTACHMENTS: Y
FILE REFERENCE: None
SOURCE DOCUMENT: Background papers held in Financial Services

		Original	Estimated	Base		
Actual		Estimate	Outturn	Budget	Forecast	Forecast
2007/08	Details of Expenditure	2008/09	2008/09	2009/10	2010/11	2011/12
£		£	£	£	£	£
555,500	Community Safety	572,230	576,050	581,740	593,230	599,040
356,976	Customer Focused Services	975,100	733,200	911,510	1,058,540	1,110,040
4,600,641	Environment	4,643,970	5,260,330	5,280,830	5,306,820	5,402,060
336,679	Regeneration	780,680	867,600	794,780	757,710	770,810
2,554,757	Social Inclusion	2,456,480	1,926,930	2,139,400	2,283,490	2,381,060
2,894,438	Strategic Organisational Development	2,969,450	3,214,670	3,142,360	3,193,450	3,188,820
0	Contingency for Inflation and Other Items	25,000	0	25,000	25,000	25,000
0	Efficiency Savings Targets	(300,000)	0	(450,000)	(700,000)	(700,000)
0	Vacancy Factor	0	0	(355,000)	(365,000)	(375,000)
	TOTAL EXPENDITURE ON					
11,298,991	CORPORATE AIMS	12,122,910	12,578,780	12,070,620	12,153,240	12,401,830
0	Capital Charges - Reversal	(743,990)	(647,640)	(732,500)	(697,020)	(374,330)
900,628	Debt Charges	792,040	960,160	718,810	1,047,730	1,103,460
(1,009,049)	Investment Interest	(710,750)	(764,990)	(318,320)	(393,780)	(378,920)
11,190,570		11,460,210	12,126,310	11,738,610	12,110,170	12,752,040
	Appropriations:					
	Contributions to Reserves:					
478,718	General	0	0	0	0	0
12,000	Historic Buildings	12,000	6,000	6,000	6,000	6,000
120,000	ICT & Office Equipment	70,000	115,250	75,250	75,250	75,250
18,000	Legal Costs	18,000	18,000	0	0	0
50,000	Local Development Scheme	50,000	50,000	50,000	50,000	50,000
10,600	Vehicle Replacement Reserve	10,600	10,600	10,600	10,600	10,600
(946,932)	Contribution from Earmarked Reserves	(408,450)	(1,241,290)	(237,890)	(62,140)	(57,620)
10,932,956	TOTAL EXPENDITURE	11,212,360	11,084,870	11,642,570	12,189,880	12,836,270
1,922,649	Parish Precepts **	1,922,649	1,922,649	1,922,649	1,922,649	1,922,649
12,855,605	TOTAL SPENDING REQUIREMENT	13,135,009	13,007,519	13,565,219	14,112,529	14,758,919
(7,636,698)	Formula Grant	(7,788,298)	(7,788,298)	(7,862,946)	(7,926,941)	(7,990,357)
	TOTAL TO BE RAISED BY					
5,218,907	COUNCIL TAX 2008/09	5,346,711	5,346,711		5,535,380	5,654,925
	COUNCIL TAX 2009/10 @			5,419,664		
	1.8%					
	FUNDING GAP / (SURPLUS)		(127,490)	282,609	650,208	1,113,637
1,400,000	Working Balance Brought Forward	1,400,000	1,400,000	1,527,490	1,244,881	1,244,881
1,400,000	Working Balance Carried Forward	1,400,000	1,527,490	1,244,881	1,244,881	1,244,881