

Committee:	Executive	Agenda Item No.:	11.
Date:	7 th February 2011	Status	Open
Category	3. Part of the Budget and Policy Framework		
Subject:	General Fund Budgets – 2010/11 Estimated Outturn & 2011/12		
Report by:	Director of Resources		
Other Officers Involved	Head of Finance and Revenues		
Director	Director Of Resources		
Relevant Portfolio Holder	Councillor E. Watts, 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:
 - 2010/11 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 2011
 - 2011/12 Original Budget – this is the proposed budget for the next financial year commencing 1st April 2011, based on the (the currently provisional) grant settlement and by the Council Tax to be set at the Council meeting on 1st March 2011.
2. The detailed budgets for both years and future year projections are shown in the Appendix to the report. After consideration by the

Executive in December the budget has been reported to the 3 Scrutiny committees in early January 2011. Scrutiny Committees will confirm their comments on the budget at their meetings at the end of January / early February 2011. After approval of the budget at this meeting, the agreed budget will then be reported to Council on 16th February.

2010/11 estimated Outturn Budget

3. In February last year Members considered the budget for 2010/11 on which the Council Tax was determined and during the year reports have been considered:
 - Levels of actual spend have compared to the original budget for the current financial year;
 - Budget pressures arising during the year;
 - Progress against savings targets.
4. Budget holders have been consulted and the Outturn budget has been prepared to take into account the main changes during the last 9 months.
5. Members will be familiar with some of these budget pressures as they have been detailed in the quarterly budget reports. The items significant in value are:
 - Reduction in investment interest £119,300;
 - Diesel due to higher prices £49,920;
 - Housing Benefit payments not covered by subsidy £6,790 (a reduction from original estimates of 27,167 based on delayed opening of the JSC);
 - Contribution expected from DCC for Green Waste is included in 2010/11 budget to the value of £100,000 but has not yet been received.
6. In addition the Council provides some services that are linked in part to the recession. This has resulted in the following:
 - Planning fees income reduced due to less large planning developments and associated fees being received by £114,550 (£159,500 last year);
 - Land charges due to demand and changes to the pricing structure (reflecting new Government guidance) £10,000;
 - Other Fees and Charges have seen a combined net reduction of £85,000.
7. It is pleasing to note that pressures from last year that have not impacted this year are:
 - No Building Control Consortium deficit;
 - Kissingate income recovered from low levels after the fire;

- Income from commercial lettings back on track.
8. Savings have also been possible during the year and have been reflected in the savings strategy. Some of the significant items are:
- Pay award remains unsettled, no offer has been made by employers, saving £246,000;
 - Procurement projects almost £100,000;
 - NNDR appeals on valuation over £40,000;
 - Earmarked reserves have been reviewed adjusted to levels of spend;
 - Posts that have been vacant during the year and those disestablished at the Council meeting on 17th December 2010 have now been reflected in the budget;
 - Additional income amounting to £89,080 has been budgeted for based on income levels at December 2010;
 - Reduction in costs from the Internal Audit Consortium of £25,000;
9. This position would have been further enhanced had the investments in Icelandic banks achieved their expected return and the principal returned for further investment.
10. There have been some changes to Government grants paid to the Council. These grant changes have been:
- Area Based Grant reduction – whilst the main change impacted on Working Neighbourhood funding there was a reduction of £4,000 for Cohesion;
 - Housing and Planning Delivery Grant withdrawn, but not budgeted for;
 - Recent communications indicate the Government plan to reduce the Benefits Admin Grant of £85,880. This is contrary to the higher number of claims the Council is now processed;
 - Swimming grant ending part way through the year;
 - Local Authority Business Growth Incentive grant has been withdrawn, but not budgeted for.
11. Through out the year the Council's savings targets have been monitored on a regular basis and reported monthly to Senior Management team and the Cabinet. The details also supported the recently reported Medium Term Financial Plan.
12. The Savings Strategy categorises the savings according to the likelihood of them being achieved (Green – more than 90%, Amber – more than 50%, Red - less than 50%). The latest position reflected in the Saving Strategy is as follows:

Category of Savings	Value £'000
Green (included within the budget)	1,080
Amber	120
Red	80
Gap remaining (Savings still to be found)	222
Total of items not in the budget	422

13. The budget reflects the Green savings. The combined effect of vacancies and savings / efficiencies categorised as Green have not yet exceeded the targets set by the Council.
14. It is normal practice at this point in the budget process to remove the contingency budget. This year it is proposed to retain it at a reduced level of £10,000 to deal with any unforeseen costs associated with the potential bad weather and any increase in costs associated with implementing the International Financial Reporting Standard (IFRS). This later item was a concern to the December Audit Committee that will be referred to the Executive to monitor the resourcing and implementation of this project. The £10,000 contingency linked to the staffing report to Council on 17th December is shown as a contribution to an earmarked reserve to reflect that it is not specific to the current or next year's budget.
15. The impact of these changes has been reflected in Support Service recharges.
16. Comparison between years is affected by the revised allocation of support costs. The changes have been more significant this year as support charges have been the subject of a whole scale review to reflect the current demands of services rather than the historic data that was previously being used. This addresses concerns raised by the Council's External Auditors.
17. The External Auditor in the Annual Governance Report also raised concerns about the estimates made by the Council for its bad debt provisions, in as much as the £0.5m added to the provisions was not sufficient. In setting the budget consideration has been given to some of the points raise and an increase in the bad debt provision of £232,520 has been included to provide for 80% of the Housing Benefit Overpayments.
18. The gap is being addressed in a number of ways which will be reported to future meetings of the Executive or Special Council meetings. The approaches being used to address this gap are:
 - Fees and Charges increased where possible from 1st January 2011 to coincide with the change in VAT increase and reduce the administration of changing prices 3 months later;

- Planning fees reduction in the current year to be met by the Planning Fees Reserve (£85,000) and the Planning Delivery Grant (£30,000). This has the impact of limiting the balance of PDG to £56,645 to support the budget for 2011/12. The Planning Delivery Grant commitments are being reviewed to see if any additional funding can be released to support the 2011/12 budget if required;
 - Vacancies disestablished at the Council meeting on 17th December 2010;
 - Year end campaign to generate savings from budgets not fully committed (last year this generated over £250,000);
 - Further potential voluntary savings resulting from employee feedback via the mid year appraisals;
 - Additional savings proposals considered as part of the saving strategy;
 - Pension Fund shortfall costs of £100,854 are to be funded from the General reserve.
19. The budget for the current year was set it was based on adding £310,379 to the working balance to bring it to a value of £1.527m. The Outturn position for 2009/10 was better than anticipated such that instead of using £310,000 from the Working Balance, only £42,000 was required. Therefore the working balance brought forward was £1.485m.
20. The outturn budget based on these latest figures changes to:
- The budget Gap against the £310,379 surplus is a deficit of £237,189.
 - Vacancy factor still to be achieved £40,275.
 - The Budget spending review is expected to generate £150,000. This compares with the £268,000 generated last year but in year savings have been declared each month hence the reduced value.
 - The proposed use of the Working Balance is £46,914. Based on the above figures this will drop to £1,438,715.

Reserves

21. The CPA reserve and Service Improvement reserves will be combined into a new Transformation Reserve.

Original budget for 2011/12

22. 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 2011.
23. The Council's annual budget is made up of the following main elements:

- Grants from Government
- Expenditure, income levels and efficiencies
- Fees and Charges
- Options for the Council Tax level
- Reserves to fund any gap in income or benefit from a surplus in available funds

24. Comparison between years is again affected by the new support service cost allocations.
25. Each of these items is now considered in more detail below, specific to the Council's budget for 2011/12 and attached to the report is a summary of the General Fund budget.

Grants from Government – Formula Grant

26. The Government's Spending Review in October 2010 indicated that grants to local authorities would be reduced to reflect the Government's national economic strategy. Estimations of the potential impact have been prepared and presented to Cabinet and at the Council meeting in October.
27. The Government announced the provisional grant settlement on Monday 13th December with a consultation period up to mid January 2011. The Council meeting on 17th December included a summary of the changes; the detail supporting that update is given below. At the time of preparing this report the finalised details were not yet made public.
28. For information only, the comparable figures from the current budget book are as follows:

	2010/11	2011/12	2012/13
	£m	£m	£m
Formula grant	7.927	7.848	7.769
Area Based Grant	2.462	0.000	0.000
Main Grant Funding available	10.389	7.848	7.769
Concessionary Travel costs	0.832	0.935	0.935
Concessionary Travel grant	-0.168	-0.168	-0.168

29. The Government's summary of the provisional grant settlement was that "English councils face average cuts in "spending power" of 4.4% next year". But Communities Secretary Eric Pickles said no local authority would undergo a decrease of more than 8.9% in 2011/12, as a result of the grant reductions. The councils impacted upon the most by losing 8.9% for two years:

Ashfield	Barrow-in-Furness	Bolsover	Burnley
Chesterfield	Copeland	Great Yarmouth	Hastings
Hyndburn	Pendle	Preston	Thanet

30. The Final Formula Grant figures published on 31st January 2011 indicate that Councils will now face a maximum reduction in spending power of 8.8% in 2011/12, although the average cut remains the same as set out in November's provisional settlement at 4.4%. Shire districts will also receive an extra £10m to compensate for the loss of concessionary bus travel funding. Local Government Secretary Eric Pickles said today's settlement 'goes hand in hand with the new localism powers and spending freedoms we are handing councils so they can be as efficient and effective as possible with public funds, rooting out waste and focusing on frontline public services'. The Local Government Association said the settlement remained the 'toughest in living memory' and accused the government of ignoring its advice to spread the cuts more evenly over the four-year period.
31. The change to 8.8% has increased the Transition grant for the Council. The funding for concessionary bus travel funding has been reflected in the Formula grant for one year only.
32. The definition of 'revenue spending power' used to calculate eligibility for the grant is, broadly speaking, and spending power from council tax and Government revenue grants. The consultation process considered changes to the provisional settlement to reflect 2010-11 Local Enterprise Growth Initiative (LEGI) funding of £0.855m, which Ashfield DC received as the "accountable body" for the partnership of Ashfield DC, Mansfield DC and Bolsover DC. The final figures indicate Council has seen its assessed revenue spending power increase by £285,000 representing one third of £855,000. This has therefore increased the transition grant. The finalised details will be shared at the meeting.
33. The Government has decided to take account of the reduction in revenue spending power for local authorities, reflecting the combined effect of changes to individual revenue grants and the extent to which income from council tax will be available to each council. It will do so by means of a Transition Grant which will help those councils most affected by reductions in spending power to plan for those reductions. It allows a breathing space in 2011-12 and 2012-13 for councils to make the changes necessary to live within the reduced provision. No transitional grant will be paid after 2012-13.
34. The Government make a reassessment on the Council's current year grant, for comparison purposes only. The Council's adjusted formula grant for 2010/11 is £7.211m. This is based on:
- £7.927m – or previously notified grant
 - £0.689m reduction for Concessionary Travel (2009/10 costs (£0.833m) inflated (£0.857m) less specific grant of £0.168m)
 - £0.027m other adjustments

35. For comparative purposes the Provisional Grant funding details considered by members is shown within [brackets].
36. The Council's Formula grant (before Floor Damping) for 2011/12 is calculated as being £5.342m [£5.315m], a £1.9m reduction from the £7.211m shown in the paragraph above.
37. As this would be a massive change for the Council the grant system provides for damping and ceilings to reduce the level of change in grant. The Council's Formula grant after Floor Damping for 2011/12 is £6.258m [£6.216m], (damping effect gives the Council £0.917m [£0.901m]). This is the highest damping within Derbyshire. Members may recall the opposite effect in previous years when the Council has lost grant each year due to the ceilings that have prevented the Council receiving its full allocation. This is still a net loss of grant of £0.952m [£0.995m] compared to the £7.211m shown above. This loss of funding in reality is higher as there is no increase in funding for inflation etc.
38. New to the Formula grant settlement this year is the Transition Grant. This is additional revenue grant ('Transition Grant') to certain councils in 2011-12 and 2012-13. It will be paid to councils who would otherwise see a reduction in 'revenue spending power' of more than 8.9% in either year. The Transition Grant will help those councils most affected by reductions in spending power to plan for those reductions. It allows a breathing space in 2011-12 and 2012-13 for councils to make the changes necessary to live within the reduced provision. No transitional grant will be paid after 2012-13. In 2011-12 this will amount to £2.311m [£1.828m].
39. It is proposed that the Transition grant be allocated to a Transition Reserve and used in a specific manner to reflect the need for the Council to adjust its spending to a level that is not supported by the use of reserves.
40. Also linked to this is that the Government will provide councils that choose to freeze council tax with the equivalent of a 2.5 % increase in funding. This amounts to £89,929.
41. The Government also wants to ensure council tax payers are protected against any authorities who choose to reject the offer and impose excessive council tax rises. Through the Localism Bill, the Government plans to introduce a power for residents to veto excessive council tax increases through a referendum. In the meantime, the Government can take capping action against councils who propose excessive rises.
42. The provisional grant settlement for 2012/13 can be summarised as:
 - Adjusted grant drops to £6.229m [£6.186m], a further £30,000 reduction;

- Formula grant without damping amounts to £4.725m [£4.753m];
- Damping provides an additional £0.756m [£0.783m];
- Total Formula grant £5.482m [£5.536m], a further reduction of £0.777m [£0.650m]
- Transitional Grant £1.979m [£1.248m], the last year of such funding.

43. Projections based on known figures over the four years spending review are detailed below:

Lost Core Grant v Transition Grant					
	2011-12	2012-13	2013-14	2014-15	TOTALS
2011-12	951,820	951,820	951,820	951,820	3,807,280
2012-13	-	777,435	777,435	777,435	2,332,305
2013-14	-	-	?	?	
2014-15	-	-	-	?	
				TOTAL	6,139,585
				Transition Grant (2 years)	4,290,306
				Overall Loss Of Grant Funding so far [Previously £2,852,800]	1,849,279

Loss of Formula Grant (Core Grant)

	Expected Loss	% cut	Cumulative	Actual Loss	% cut	Cumulative	Difference	Cumulative
2011-12	671,491	8.47%	671,491	951,820	13.20%	995,085	280,329	280,329
2012-13	468,482	6.45%	1,139,973	777,435	12.40%	1,729,255	308,395	589,282
2013-14	62,464		1,202,437	?		1,729,255		
2014-15	359,170		1,561,607	?		1,729,255		
TOTALS	1,561,607			1,729,255			589,282	

44. The Government continue to consider that this settlement is 'fair and progressive' and is seen as giving councils the ability to concentrate on what their residents want:

- protecting front line services
- Improving transparency – allowing the public to see where money is being spent, suggesting changes; making suppliers more competitive, and changing the culture among those entrusted with public money
- Sharing services – to achieve greater efficiency and improved services
- Cutting out waste – particularly in back offices
- Improving procurement practice – achieving more competitive prices by making full use of their purchasing power
- Bringing senior pay under control – including sharing senior managers among councils
- More fundamentally, the settlement will see councils take this opportunity to radically rethink and transform their services. Those councils which have substantial reserves should consider using these to address short term costs and pressures, and invest now in order to realise savings in the longer term.

45. When considering the above items these themes are reflected in the Council's existing Saving Strategy.
46. To support councils in their efforts, £200 million has been set aside as a capitalisation facility to help councils modernise: reducing back office costs so they can focus on the front line.
47. In addition the Government also plans further changes:
- Change the law so councils will be able to borrow against the proceeds of future business rates (known as tax increment funding) in order to invest. Details are awaited.
 - As part of the White Paper on Local Growth, the Government announced a review of business rates with the intention that in future local government will be able to keep what they collect. The Local Government Resource Review will begin in the New Year.
48. The Government is also proposing to provide substantial financial incentives for councils to invest in longer term projects, such as the New Homes Bonus available over the next four years for councils investing in new housing, and the £1.4 billion Regional Growth Fund. This is currently being consulted on but in summary:
- It is based on Housing and Planning Delivery Grant money which local authorities previously benefitted from.
 - Funding has been identified for the first four years; therefore, the funding will come from top slicing a portion of the existing formula grant given to local authorities. Therefore the authorities that experience lower or a slower delivery of housing will lose out because the existing formula grant an authority receives will be reduced to subsidise those authorities that are successful in housing delivery.
 - To reward the delivery of housing it proposes to match fund the additional council tax raised when a new home is built, or an empty property is brought back into use. An additional amount for affordable homes will be payable.
 - This involves changes to the local government finance system to reward the authorities that go for growth.
 - It will be paid as an unringfenced grant.
 - It will be equal to the national average for the council tax band on each additional property delivered/ brought back into use and paid for the following six years as a un-ringfenced grant. (additional council tax band D property would be about £1439 per annum)
 - An enhancement of a flat rate £350 per annum for each additional affordable home is proposed It is intended that the scheme will be a permanent feature beyond the six year cycle
 - It is proposed that there is an 80:20 split between lower:upper tier authorities in two tier areas outside London

- The saving strategy with this budget reflects the latest projections of funding that would be generated by existing (net) additional developments in the area.

Grants from Government – Area Based Grant (ABG)

49. This non-ringfenced grant, introduced in 2008/09, is abolished. The grant settlement provides no funding.
50. Historically it has provided funds for
 - Cohesion (funding the Council's contribution to the Community and Voluntary Partnership);
 - Climate Change Planning Policy Statement;
 - Economic Assessment Duty;
 - Environmental Damage Regulations;
 - Working Neighbourhood Fund.

Grants from Government – Local Authority Business Growth Incentive

51. The budget assumed no income from this grant. Again this grant is to be abolished.

Other Grants

52. Grants have been lost for 2011/12 for the following:
 - Community Safety – Various grant losses are expected in 2011/12. These all had matching expenditure budgets therefore there is no net effect on the budget, however some of this money was used to fund Council projects in other areas such as Leisure.
 - Swimming grant (compared to part year funding in 2010/11)
 - Waste Services – The contribution of £100,000 from Derbyshire County Council.

Expenditure to be incurred in 2011/12

53. 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.
54. Compared to the budget the Members were considering 12 months ago for 2009/10 there are a number of pressures and savings to be considered.

Budget Pressures

55. The budget pressures are in part similar to those that have been detailed for the 2010/11 Outturn but added to these are others that need to be detailed for Members consideration. All these pressures are detailed below.

56. Single status conditions & job evaluation.

Employee costs have seen some change due to appeals on changes to structures etc. The budgets now reflect the appealed salary levels. The budget reflects the costs of increments associated with the new grades. The Council has received 252 equal pay claims. These are currently being assessed. No value can currently be attributed to these.

57. Pay award.

The staffing budgets for next year are based on a pay award of 0%. This is a decrease from the 2010/11 level of 2%. The gain from this for the Council is offset by an increase in employer's National Insurance of 1%. If the Council were to find the national negotiations did agree a pay award at the same levels as central government (£250 for all earning below £21,000) would equate £78,000.

58. Pensions

The indicative increase, indicated by Derbyshire County Council (DCC), previously reported in December was for the employer's pension costs to increase by 0.8%. Officers have subsequently been able to engage in the detail of the assumptions behind this indicative increase. The impact of this is that the assumptions:

- Allowed for pay increases at rates higher than those budgeted for;
- Numbers of posts within the approved structure to remain constant. In reality they are reducing (e.g. December Council report to disestablish posts, ICT Joint Service changes).

It has been agreed with the actuary that the employers' contributions arising from the current valuation, effective from 1 April 2011, should be recovered as:

- A future service rate expressed as a percentage of pensionable pay and,
- A lump sum deficit recovery amount.

The reason for the change is that under the previous arrangement, the recovery of the past service deficit was not achieved when there was a reduction in the pensionable payroll due to outsourcing and job cuts. With the new method, the amount collected by the future service rate

will vary according to changes in pensionable pay but the lump deficit component will remain at the certified amount irrespective of variations in the pensionable payroll.

As employers may wish to charge the total of the two components as a percentage of contributors' pay, an equivalent percentage rate comprising both amounts is shown below.

To provide year on year consistency of costs the Council prepared its budgets based on a fixed amount for the three years (Option 2) rather than paying the deficit recovery amount either as an escalating sum (Option 1). This then generates the following costs:

Description of costs	2011/12 £'000	2012/13 £'000	2013/14 £'000
Future Service rate @ 11.90%	1,242.42	1,234.09	1,236.36
Past Service deficit lump sum	1,041.80	1,041.80	1,041.80
Total employer's contribution	2,284.22	2,275.89	2,278.16
Equivalent Total % rate	21.88%	21.95%	21.93%

The difference to the existing costs is based on 20.2%. This is an increase of £166,270.

Associated with the actuarial review the following items will be received in due course:

- Further details of the valuation result (February 2011)
- Draft Funding Strategy Statement (February 2011)
- Valuation Report (April 2011)

The Council's budget has costs associated with staff who have pension fund shortfalls due to early termination of employment. If the Council were to pay off these costs early it would reduce future years pension pressures. These costs can be funded in the following manner;

- In 2010/11 £100,854 can be funded from the General Reserve;
- Subsequent years, totalling £133,461, can be funded from the Transition Grant.

59. Investment interest.

The Council has not been immune to the reductions in interest rates that have taken place during 2010/11. This is further magnified by the slowdown in asset sales and the Icelandic banks' problems. Overall this is a reduction of £124,175 against the 2010/11 original budget. Investment interest in future years has been adjusted to reflect the profiled payments associated with the pending Icelandic Court case over the life of this medium term financial plan.

60. Building Control deficit
- Measures taken to align expenditure to income levels have corrected the historic need to share deficits amongst the three partner councils.
61. Energy prices
- The Council has changed the framework under which it purchased its energy. This is due to start in 2011. Any variations in year will be reported via the quarterly budget monitoring reports.
62. Kissinggate Leisure Centre
- The Centre is now operational and all aspects of the building are income generating.
63. Fees and Charges
- These have been reported separately and reporting an impact on the budget of approximately £161,000 reduction when compared to the current level of income from fees and charges. This includes the known pressures of:
- Planning fees reduction of £114,550 to £325,000;
 - Land charges due to demand and forced changes to the pricing structure £10,000.
- Additional income for budget reviews based on income levels expected in 2010/11 amounts to £25,010 for 2011/12 and future years.
64. As detailed above for 2010/11 this budget is also affected by:
- Housing Benefit payments not covered by subsidy £81,500;
 - The Council's continued share of the collection fund deficit £22,329;
 - Diesel due to higher prices £49,920 (this is under review as this pressure may not be sufficient to deal with increasing prices).
65. In addition, the budget for 2011/12 also includes budget pressures for:
- Increased debt charges £55,000, compared to 2010/11 revised;
 - Elections £59,000;
 - Loss of swimming grant completely £23,000.
66. Adjustment has also been made to the bad debt provision for Sundry Debtors for the historic debt held for Pleasley Vale. This increase in the provision by £28,710 to provide for all of the £57,000 of debt owed, should such a provision prove necessary.

Budget Savings

67. The savings made in 2010/11 continue into 2011/12 and additional saving neutralise, in part, some of the above pressures. The significant savings are:

- Procurement projects of over £205,000;
- Transfer of Concessionary Travel arrangements to DCC;
- Joint IT service £34,000;
- Pleasley Vale income generation £48,000;
- Earmarked reserves reviewed.

68. Grants to the voluntary sector have been reviewed. The review has proposed reductions in the grants of 23.22%, linked to the Council's loss of grant over the 2 years of the settlement. Funding is for one year only. Future funding will be considered at a future date. This is detailed in the table below:

Organisation	Planned grants £	Proposed grants £	Change £
Bolsover Countryside Partnership	10,000	7,700	-2,300
Citizen's Advice Bureau	24,750	19,000	-5,750
Community Voluntary Partners	30,000	23,000	-7,000
Councillor awards	7,400	0	-7,400
Derbyshire Economic Partnership	14,500	11,200	-3,300
Derbyshire Sport	11,420	8,800	-2,620
Derbyshire Unemployed Workers Centres	25,830	19,900	-5,930
Groundwork Creswell	18,000	13,900	-4,100
Junction Arts	20,900	16,000	-4,900
Lunch Club Grants	2,000	2,000	0
Rural Action Derbyshire	2,950	2,265	-685
Trade Union Safety Team	4,750	3,650	-1,100

When the 2011/12 budget was approved last year the funding amounted to £132,500. This did not include funding for the £40,000 associated with grants to CVP and BCP. The above grants including CVP and BCP amount to £127,415.

As a consequence of these reductions in funding the Council awaits details as to the ongoing arrangements that partners will be considering as there may be a more fundamental review of the whole funding arrangement.

Based on consideration of these changes in funding the Council will be consulting with relevant interest groups, the organisations affected and undertaking equality impact assessments. On completion of these

items a further report will be presented to the Executive for the results to be considered.

69. The vacancy factor (new to the 2009/10 budget) has been revised to reflect changes approved at the Council meeting on 17th December 2010. 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 or exceeded 3%. The economic situation has reduced staff turnover and as such the value of the vacancy factor has been reduced from £540,000 to £200,000 (previously reported as £300,000). This is reduced in successive years by 10% pa to reflect the achievement of the ongoing savings.

Efficiencies

70. The National Indicator 179 measuring value for money has been abolished. This will in no way take the pressure off the Council to achieve savings as this will now be driven by the reduction in grants received by the Council. The savings / efficiencies required will be far more demanding than previous targets have been.
71. This change will also impact on the Council Tax bill in that there will be no requirement to show details of the Government's calculated efficiency targets for those bodies with efficiency targets.
72. The overall position of the budget is:
- Gap of £1,979,036
 - Vacancy factor £200,000
 - Saving Strategy £1,318,480, as detailed after the budget summary page
 - Proposed use of Transition Grant £221,840 (9.6% of grant allocation)
 - Use of Working Balance £238,715, to bring this down to the £1.2m minimum working balance.
73. If savings are not achieved in year this will increase future year pressures. Each month that a projects in the saving strategy does not deliver the actual value of the saving it increases by 8%.
74. In 2012/13 the overall position of the budget is:
- Gap of £2,561,683
 - Vacancy factor £180,000
 - Saving Strategy £1,860,780, as detailed after the budget summary page
 - Proposed use of Transition Grant £520,903 (13.7% of available allocation)

- No use of Working Balance as this is at the previously agreed minimum level of £1.2m.
- 75. The Council faces the challenge of using the Transition Grant / reserve to change the Council's financial profile to one that reflects the new lower levels of grant funding and revenue from council tax.
- 76. The forecast for the budget in 2013/14 is based on an assumed level of grant funding. This was not part of the 2 year funding that has been consulted upon.

Budget Bids

- 77. The significant budget pressures expected for 2011/12 have resulted in no opportunity being given for revenue budget bids. Services will therefore need to report to the Executive any changes that are required and how these can be funded to minimise the impact on the Council.

Budget changes

- 78. In 2011/12 responsibility for Concessionary Travel will be transferred by the Government to the County level. The direct impact on grant funding has seen the Government take from their assessment of the Council's spending the sums associated with the cost of providing this service and the direct grant associated with it.

Balancing the budget

- 79. The overall position of the budget after taking all of the above items into account is that the expenditure and income balance out, assuming savings / efficiencies and solutions found for the unidentified saving are achieved.
- 80. To address this increase in savings target the Council will continue to expand its Saving Strategy to encompass further opportunities to save expenditure, work more efficiently, look to maximise its partnership arrangements and raise additional income.
- 81. The risk associated with the savings target is offset in part by the Transition Grant that will be allocated to an earmarked reserve set up for funding transition associated with this significant saving that is required.

Council Tax for 2011/12

Council Tax Base

- 82. In preparation for the budget, the Council meeting on 19th January 2011 considered the Council Tax Base at Band D. This value has been set cautiously as the Collection fund is carrying a deficit and any

over estimation of this value will add to that deficit. The tax base changed from 22,638.51 to 22,794.31, an increase of 155.80 (+0.7%).

Collection Fund

83. The accounts for 2009/10 showed a collection fund deficit of £709,000, an increase of £158,000 on the previous year. When this was reviewed in January 2011 at the statutory date, it was necessary to declare a deficit to the main precepting bodies. It is projected that the Collection Fund will be in surplus for the year 2010/11 reducing the overall deficit to £316,000.
84. We have taken into account work being undertaken across Derbyshire to review Single Person Discounts and the low levels of Council tax base increases to minimise any impact to the General fund over the life of the Medium Term Financial Plan.
85. The deficit declared to the major precepting organisations amounts to £142,209. This is shared relative to the 2010/11 precepts and as such amounts to:
- Derbyshire County Council £98,719
 - Derbyshire Fire & Rescue £6,155
 - Derbyshire Police £15,006
 - Our share £22,329
86. Any increase in the collection fund deficit will be shared with all the major precepting bodies which will include this Council. This will need to be reflected in future savings etc.

Council Tax Options

87. The Council's part of the Council tax bill was set in 2010/11 at £158.15 for a Band D property.
88. This year the Spending Review has provided a new option. If the Council were to set a 0% increase (or decrease its Council Tax) then it would be entitled to a grant from the Government of the equivalent of 2.5% increase in its Council Tax. This grant is proposed to then continue for the additional 3 years of the Spending Review. The grant will amount to £89,929.
89. The previous 2 years Council Tax increases have been at levels below 2%. This grant scheme therefore provides the Council with a greater revenue increase than previous Council Tax increases, whilst benefiting the local tax paying community.
90. The Council is disadvantaged in future years based on the current grant scheme in that its Council Tax Band D will not be as high as it would if assumed increases had been applied and therefore future percentage increases will not generate as larger increase in revenue.

91. At the end of the Spending Review period there is no indication that the grant will continue so there may be a loss of revenue.
92. If the Council were to consider Council Tax increases a £1 increase in Council Tax will generate £22,794, a 1% increase (£1.58) will generate almost £36,000.
93. If the Council were to increase Council Tax rather than adopt the conditions of the grant scheme it may then find that the Government require it to arrange a referendum on the increase, as reflected in the Localism Bill.
94. The area has approximately 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.
95. The Council Tax bill will include the values for the precepting bodies. The most significant element is that for the County Council, almost 70%.

Reserves

96. At the start of the 2010/11 financial year the General Fund Balance was £1.485m. The Outturn budget for 2010/11 projects this reducing by £46,914 to £1.439m.
97. The budget for 2011/12 projects use of £238,715 of Working Balance to the minimum level of £1.2m.
98. The Transition Grant is detailed on the second page of the budget summary.

Savings Strategy

99. The budget for 2011/12 is at risk unless significant savings are achieved. The budget sheet shows the identified saving to close this gap.
100. Certain items within the savings strategy require investment to achieve greater benefits. An example of this is the Income from Assets that will require £88,000 alteration costs to generate the expected level of savings of over £0.5m over 3 years in additional income and reduced costs. It would be appropriate to use the Transition grant could be used to fund costs in 2011/12, any costs falling in 2010/11 would need to be funded from the General Reserve to be replaced when the transition grant is awarded. Other potential costs will be reviewed on a business case basis.

101. Future year's budgets are set to generate deficits. Savings strategies will seek to consider further options to remove is ingoing pressure.
102. The full budget books are available to Members from the Finance Section. In addition it will also be available on the Council's Intranet.

OVERALL ASSESSMENT OF THE 2011/12 BUDGET

103. 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 earmarked reserves are considered to be adequate to fund planned expenditure identified by the Council.
 - The risk assessment and sensitivity analysis highlight the key risks.
 - The key risks relate to the reductions in spending that are required to maintain the working balance. Monthly monitoring of progress will be undertaken and reported accordingly.
 - Transition grant is at a level to support the short term budget but reductions in service costs are required to achieve a balanced budget.
 - 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.

Medium Term Financial Planning

104. The assumptions built into the 2011/12 budget have been carried over in the two successive years.
105. In addition it has been assumed that:
 - The levels of Council Tax increases in 2012/13 and 2013/14 are now shown at 2% (previously 3%). These will be considered in further detail as part of the budget process next year;
 - Tax Base to increase at a level of 0.5% for 2012/13 and 2013/14;
 - Government Grant will reduce by the levels indicated in the Spending Review and by an assumed reduction of -2% in 2013/14 as the grant funding only covered the first 2 years.
106. Taking just these factors into account each of the successive years shows the Council needs to keep a close focus on its budgets to prevent significant deficits occurring during the file of this financial plan.

107. There are some additional changes that have not been factored into these future year budgets, which could add additional pressures. These are:

- Concessionary Travel – all claims are settled;
- Concessionary Travel cost sharing arrangements previously agreed now honoured;
- Collection fund deficits that might materialise due to the economic downturn;
- Market supplements related to Job Evaluation are subject to annual review;
- Equal pay claims will be fully assessed and the potential value known / paid;
- Employer superannuation costs are expected to rise;
- Local elections will have taken place;
- The Localism Bill is expected to allow for discretionary business rates discounts so that local authorities will be able to respond to local circumstances by reducing business rates bills. The financial impact of this change is not currently known.

Conferences

108. As part of the budget process it is custom to consider the schedule of conferences for 2011/12. The detail of conferences attended for the current year and the proposals for the following year are shown in the last appendix to this report.

109. In summary:

- 4 events are listed
- Attendance of officers and members cost £1,696 in 2010/11
- Based on the agreed allocation of delegates for the conferences the cost in 2011/12 will increase to £4,400.
- This cost would be allocated to the training budgets for the relevant officer / member.

IMPLICATIONS

Financial: A budget for the General Fund of £11.9m in 2011/12 with additional efficiencies of almost £2 m assuming the Council Tax increase of 0% is approved, after allowing for the grant to compensate for this. The consultation with the business rate payers took place on 2nd February 2011.

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

Human Resources: None

RECOMMENDATIONS

1. That the estimated outturn for 2010/11 of £11.744m be recommended to Council on 16th February 2011.
2. Recommend to Council a 0% increase in Council Tax based on the Government's compensation arrangements.
3. That the budget for 2011/12 of £11.933m be recommended to Council on 16th February 2011.
4. That the Pension Fund shortfall costs in 2010/11 of £100,854 are to be funded from the General reserve.
5. That the Transition grant in 2011/12 and 2012/13 be allocated to a transition reserve to be used for items of expenditure that support the Council achieving a balanced budget.
6. That changes to the reserves are recommended for approval by Council.
7. That the grants to voluntary organisations are reported to the Executive at a future meeting reflecting the consultation outcomes.

REASON FOR DECISION

The budget for 2010/11 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 2011/12. This must be a balanced budget.

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

Actual 2009/10 £	Details of Expenditure	Original Estimate 2010/11 £	Estimated Outturn 2010/11 £	Base Budget 2011/12 £	Forecast 2012/13 £	Forecast 2013/14 £
603,899	Community Safety	571,530	651,560	712,700	654,930	655,400
559,781	Customer Focused Services	823,270	734,250	1,050,180	1,080,130	1,081,950
5,206,916	Environment	5,147,560	5,091,750	4,827,311	4,771,360	4,747,420
687,635	Regeneration	835,050	853,220	661,910	650,900	637,630
1,916,494	Social Inclusion	1,888,050	1,808,421	1,224,589	1,229,089	1,215,619
2,958,644	Strategic Organisational Development	3,038,440	2,798,720	3,042,050	2,961,020	2,947,240
0	Contingency for Inflation and Other Items	25,000	10,000	25,000	25,000	25,000
0	Efficiency Savings Target	(886,038)	0	0	0	0
0	Vacancy Factor	(540,000)	0	0	0	0
0	Collection Fund Deficit	9,919	9,919	22,329	27,291	0
0	Employers Pension Increase	0	0	0	0	0
11,933,369	TOTAL EXPENDITURE ON CORPORATE AIMS	10,912,782	11,957,839	11,566,069	11,399,720	11,310,259
(794,509)	Depreciation - Reversal	(558,330)	(522,070)	(483,440)	(476,260)	(476,260)
708,935	Debt Charges	1,046,550	1,018,960	1,073,880	1,055,650	1,041,590
(176,806)	Investment Interest	(233,870)	(114,570)	(109,695)	(220,170)	(408,870)
11,670,989		11,167,132	12,340,159	12,046,814	11,758,940	11,466,719
	Appropriations:					
	Contributions to Reserves:					
0	General	0	0	0	0	0
6,000	Historic Buildings	6,000	6,000	6,000	6,000	6,000
85,850	ICT & Office Equipment	75,250	75,250	75,250	75,250	75,250
10,000	Legal Costs	0	0	0	0	0
0	Local Development Scheme	0	0	50,000	50,000	50,000
10,657	Vehicle Replacement Reserve	10,600	12,600	12,600	12,600	12,600
(392,938)	Contribution from Earmarked Reserves	(62,140)	(689,600)	(257,840)	(74,270)	(44,920)
11,390,558	TOTAL EXPENDITURE	11,196,842	11,744,409	11,932,824	11,828,520	11,565,649
2,161,794	Parish Precepts **	2,161,794	2,246,066	2,246,066	2,246,066	2,246,066
13,552,352	TOTAL SPENDING REQUIREMENT	13,358,636	13,990,475	14,178,890	14,074,586	13,811,715
(7,893,383)	Formula Grant	(7,926,941)	(7,926,941)	(6,258,939)	(5,481,504)	(5,371,874)
	Council Tax Grant	0	0	(89,929)	(89,929)	(89,929)
5,658,969	TOTAL TO BE RAISED BY COUNCIL TAX	5,742,073	5,826,345	5,850,986	5,941,470	6,034,224
(41,860)	FUNDING GAP / (SURPLUS)	(310,378)	237,189	1,979,036	2,561,683	2,315,688
	Carried forward to page 2					

Actual 2009/10 £	Details of Expenditure	Original Estimate 2010/11 £	Estimated Outturn 2010/11 £	Base Budget 2011/12 £	Forecast 2012/13 £	Forecast 2013/14 £
(41,860)	FUNDING GAP / (SURPLUS)	(310,378)	237,189	1,979,036	2,561,683	2,315,688
	<u>Adjusted for Savings Strategy Items:</u>					
	Single Person Discount Review			(22,000)	(22,000)	(22,000)
	Current Budget Spending Review		(150,000)	(250,000)	(250,000)	(250,000)
	Payments Strategy - Targets			(25,000)	(25,000)	(25,000)
	Alternate Bin Collection			(100,000)	(200,000)	(200,000)
	New Homes Bonus			(36,000)	(82,450)	(196,580)
	Income from Assets			(110,480)	(206,330)	(206,330)
	Service Efficiency Review/Joint Working targets			(700,000)	(1,000,000)	(1,000,000)
	Benefits Review			(75,000)	(75,000)	(75,000)
	Essential Car User Review					(220,000)
	Vacancy Factor		(40,275)	(200,000)	(180,000)	(160,000)
	Use of transition grant			(221,841)	(520,903)	
	Use of Working Balance / (Surplus)		46,914	238,715	0	(39,222)
(1,527,490)	Working Balance Brought Forward		(1,485,629)	(1,438,715)	(1,200,000)	(1,200,000)
(1,485,629)	Working Balance Carried Forward		(1,438,715)	(1,200,000)	(1,200,000)	(1,239,222)
	Minimum Working Balance		(1,200,000)	(1,200,000)	(1,200,000)	(1,200,000)
	Transition Grant:					
	Opening Balance			0	(1,812,767)	(3,221,022)
	Grant Award			(2,310,878)	(1,979,428)	
	<u>Allocations:</u>					
	4 posts funding			138,000		
	Pension back-funding cost			50,270	50,270	32,920
	Building alteration re Income from Assets			88,000		
	Budget Adjustment			221,841	520,903	
	Closing Balance			(1,812,767)	(3,221,022)	(3,188,102)

LIST OF CONFERENCES

CONFERENCE	DATE/VENUE 2010/11	DELEGATES	PREVIOUS COSTS PP	BOOKED FOR 2011/12	DELEGATES	COSTS FOR 2011/12
Chartered Institute of Housing	No record of attendance	1 Officer 1 Member		No	1 Officer 1 Member	£700 £780
LGA Annual Conference	Bournemouth 6 th - 8 th July 2010	1 Officer 1 Member	£519 £519	No	1 Officer 1 Member	£560 £560
National Association of Councillors AGM and Conference	No record of attendance	1 Member		No	1 Member	£400
Regeneration and Renewal Conference	London 14 th July 2010	1 Officer 1 Member	£329 £329	No	1 Officer 1 Member	£700 £700
TOTAL			£1,696			£4,400