

SUBJECT:	Budget 2010/11
REPORT OF:	The Leader

## 1. Purpose of Report

- 1.1. This report is the latest in a series of reports leading to the setting of budgets and council tax for 2010/11. The main purpose of this report is to set down the detailed position regarding the key parts of the budget in order to start to arrive at some final decisions for 2010/11.

## 2. Links to Council Policies & Plans

- 2.1 The authority is committed to sound financial management, which includes being able to demonstrate resources are aligned to the corporate priorities of the Council. The financial strategy must reflect the authority's Corporate plan as the two have to be clearly aligned and compatible.

## 3. Background

- 3.1 Over the last few months Portfolio Holders have been considering their budgets with their PAGs. During the same period other factors that will affect the overall budget position have become clear with for example the announcements made on Government funding for 2010/11.

### Outcomes of PAGs

- 3.2 The base budgets reviewed by the PAGs is summarised in the following table.

	COM £'000	ENV £'000	H&H £'000	RES £'000	SUS £'000	TOTAL £'000	%
Budget 2009/10	1,206	1,853	1,011	5,162	1,126	10,358	-
Cost increases							
Employee Costs	21	16	17	50	48	152	+1.5%
Other costs	10	84	2	41	0	137	+1.3%
Income	-1	-18	-2	0	-8	-29	-0.3%
Net Cost Increase	30	88	17	91	40	260	+2.5%
Other changes	21	103	29	66	60	279	+2.7%
Savings	-126	-13	-42	-427	-31	-639	-6.2%
Draft Budget	1,131	2,025	1,015	4,892	1,195	10,258	-1.0%

- 3.3 Overall the draft budgets show a 1% reduction on the current year. The main items under "Other changes" are:

- Reduced income in a number of areas such as land charges, building control (£155k).
  - Stoke Park interest income.(£44k)
- 3.4 Since the PAG meetings there have been a number of developments that will impact on the budgets. These include:
- The indication from Government of the likely level of Housing & Planning Delivery grant for 2010/11, which indicates an additional £20k over that assumed in the draft budget.
  - DWP reduction in housing benefit subsidy, £16k
  - A revised assessment of building control income by £20k in the light of improved activity levels in the local area.
  - Increased contribution to the county wide concessionary fares scheme, £40k.

### Investment Income

- 3.5 Investment income is a key element of the Council's finances. The financial strategy assumes that it will represent approximately 15% of net service expenditure, which for 2010/11 would imply a target of around £1.6m. The dramatic and sustained fall in interest rates and the forecast for interest rates for 2010/11 makes a figure of £1.6m unachievable. A reasonable estimate of what can be achieved in 2009/10 is £1.05m, and this target will need to be assessed within the Treasury Management Strategy for 2010/11 which will be considered at the RPAG in February.
- 3.6 The scale of the impact on the Council's finances of the fall in interest rates is illustrated by the fact that an investment interest budget of £1.05m would be a reduction of £0.55m or 34%, on the budget for 2008/09. This reduction over two years of 34%, in council tax terms equates to a 12% increase.

### Government Grant & Council Tax base

- 3.7 In December the Government confirmed the proposed level of grant funding for The Council in 2010/11. The total grant at £3,015k represents £15k or 0.5% increase over the grant for the current year, which in real terms is a reduction in funding.
- 3.8 The Council continues to be substantially below the grant floor, receiving £665k in grant protection from this mechanism compared to £754k in 2009/10. There is a major financial risk to the authority if the Government withdrew or significantly reduced the level of floor damping at some future time, and with the prospects for the public finances going forward, the likelihood of this risk has increased.

- 3.9 The council tax base in South Buck is very stable and does not change greatly from year to year. The tax base for 2010/11 is 32,470 which is a 0.3% increase over the current year.

### Reserves

- 3.10 The latest forecast position for general fund reserves at the end of the current year is as follows.

General Revenue Reserve	Current Estimate £'000
Balance 31 Mar 09	2,597
Planned transfer from general reserve - Planned use of reserves	-883
Funding of estimated additional items - In year variances	-142
- Items approved by Council to be funded from reserves	-61
<b>Estimated Balance 31 Mar 10</b>	<b>1,511</b>

- 3.11 As the use of reserves is a key part of the Council's financial strategy, it is important to minimise overspending and therefore efforts have been made to ensure that the overall net expenditure for the year is as close as possible to the original budget position, subject to any specific decisions of the Council to increase or reduce expenditure.

### Overall Position

- 3.12 The table below indicates the current overall position for 2010/11 assuming at this stage that no further expenditure is funded, or further savings agreed. It also makes no assumption about any use of general reserves to reduce the council tax, or of a level of council tax.

#### 2010/11 Budget & Council Tax Build Up

	£'000
Draft PAG budgets	10,258
Changes post PAGs	-38
Estimate of capitalisation	-250
<b>Net service expenditure</b>	<b>9,970</b>
Investment Income	-1,050
<b>Net Cost of Services</b>	<b>8,920</b>
Farnham Park Trust recharges	-278
Use of General Reserve	-
Use of LDD Reserve	-115

	£'000
Budget Requirement	8,527
PSA Reward and LAA Grants	-22
Govt Grant	-3,015
Taxbase (Band D equivalentents)	32,470
Council tax (Band D)	£171
Council tax increase if no use of reserves	22%

- 3.13 As the Council is forecast to have available at the end of the current financial year £1.5m of general reserves (see para 3.10) there is scope to reduce the level of council tax increase. The use of general reserves would need to take account of what would be a prudent minimum level of reserves in line with the authority's policy on reserves. To change the council tax by 1% would require an application of reserves of £45k. In order to ensure that any ultimate use of reserves in 2010/11 is minimised, a review of income and expenditure will be undertaken by the end of June 2010 with the intention of reducing any use of reserves by at least £100k.

### Council Tax

- 3.14 In December the Parliamentary Under Secretary of State issued a statement on the Government's expectations about the level of council tax increase. The relevant statements in the letter, which followed a similar format to letters issued in previous years, are as follows.

*"As I said in my statement to the House of Commons, I am pleased that the average Band D council tax increase this year was 3 per cent. The Government anticipates this amount to fall further in 2010-11 whilst authorities protect and improve front line services. In fact, we expect the average Band D council tax increase in England to achieve a 16 year low in 2010-11. The Government remains prepared to take capping action against excessive increases by authorities and to require them to rebill households for a lower council tax if necessary.,,, I have made it very clear that the Government expects the average Band D council tax percentage increase to reach a 16 year low in this period. I have also indicated that we will take capping action against any excessive increases and I do not propose to send any further written warnings about the risks involved."*

- 3.15 The Government cannot dictate to councils what their level of council tax should be, as it is for each authority to come to its own judgement on the level of council tax taking into account its particular circumstances.

### The Medium Term Position

- 3.16 Looking forward two of the highest strategic risks facing the authority have at their heart the availability of resources.

RISK	COUNCIL AIM AFFECTED
Managing change in the context of limited resources in order to progress the Corporate Plan and maintain performance.	All
The effect Pathfinder activity has on the authority. This could range from diverting resources from council priorities to loss of staff due to uncertainties over future job prospects	All

- 3.17 The main financial risks facing the Council for the coming year can be summarised as:
- Further falls in income as a result of general economic conditions.
  - Increase in numbers presenting as homeless putting financial pressure on temporary accommodation budget.
  - The cost of planning inquiries
- 3.18 Appendix A projects forward to 2013 the Council's financial position. The challenge facing the authority's medium term financial strategy is how to generate additional resources or reallocate resources to progress the Corporate Plan and to bring expenditure and income into balance, so as to preserve a prudent minimum level of reserves. This challenge has been compounded by the effect of the economic recession. How long the recession will last and what form any recovery may take, will have a major impact on the Council's financial position, especially in respect to investment income.
- 3.19 The figures in Appendix A, confirm the position that the Council will need to establish as part of its medium term financial strategy a plan to be able to achieve around £1.1m savings by the end of 2012/13, through efficiencies or additional income generation, and work is in hand to do this. Such a saving plan will still assume a significant use of reserves over the next two years. Therefore it is proposed to review all areas of income and expenditure by the end of June 2010 in order to minimise the pressure on reserves in 2010/11 and subsequent years.
- 3.20 As the budget is driven by the priorities of the Council's Corporate Plan, and the financial constraints on the Council in respect of increases in council tax and government funding mean that it would not be value for money or meaningful to undertake extensive consultation on the budget alone. The Corporate Plan has been developed in consultation with key stakeholders, primarily related to its relationship to the Community Plan. As the final part of the consultation on the budget key local partners, including parishes will be written to inviting any views on the Council's budget for the coming year. The budget is also required to be considered by the Overview & Scrutiny Committee and this report will be used as the basis for those discussions.

## Summary

3.21 In conclusion the key points of the report are as follows:

- The draft net cost of services for 2010/11 is £9,970k.
- The Council's General Reserve is forecast to be £1.5m at the end of 2009/10
- The Council's grant from central government will increase by £15k (0.5%) in 2010/11. The Council continues to be one of the district councils benefiting most from the grant floor arrangements.
- For future years the Council is faced with identifying savings or raising additional income of around £1.1m by the end of 2012/13, in order to balance income and expenditure and progressively reduce the use of reserves. Part of achieving this aim will be to undertake a review of all income and expenditure by the end of June 2010.

## Recommendations

The Cabinet is recommended to

1. Agree a draft budget for consultation purposes in the light of the information in this report.

Portfolio Holder	Cllr Adrian Busby email: Cllr.adrian,busby@southbucks.gov.uk
Officer Contact:	Jim Burness Director of Resources jim.burness@southbucks.gov.uk
Background Papers:	Financial Strategy & Budget files

## Financial Forecast

## APPENDIX A

	2009/10	2010/11	2011/12	2012/13	2013/14
	£k	£k	£k	£k	£k
<b>Base Net Service Budget</b>	9,829	9,830	9,608	9,258	9,058
<b>Cost Changes</b>		176	250	300	300
<b>Savings &amp; Other Changes</b>		-398	-600	-500	-200
<b>Net Service Expenditure</b>	9,829	9,608	9,258	9,058	9,158
<b>Funding</b>					
Investment Income	-1,200	-1,050	-1,150	-1,250	-1,250
Use of Reserves - LDD	-137	-115	-40	0	0
<b>Net Expenditure</b>	8,420	8,443	8,068	7,808	7,908
<b>PSA/Area Based Grant</b>	-72	-22	-22	0	0
<b>AEF - Government Grants</b>	-3,000	-3,015	-2,965	-2,915	-2,865
<b>Council Tax Income - 09/10 level</b>	-4,537	-4,550	-4,550	-4,550	-4,550
<b>Income</b>	-7,537	-7,587	-7,537	-7,465	-7,415
<b>Funding Gap</b>	883	856	531	343	493
<b>Decrease in Funding Gap</b>	0	-27	-325	-188	150
Use of Reserves - General	-883	0	0	0	0
<b>GF Balance at 31<sup>st</sup> Mar</b>	1,544	1,544	1,544	1,544	1,544