

# Agenda Item

**Executive Board**

**10 February 2010**

**SD**



## **Service Plans and Revenue and Capital estimates 2010/11.**

### **Summary**

The Executive Board adopted draft Revenue and Capital Estimates for 2010/11 at its meeting on 6 January 2010. The Overview/Scrutiny – Service Planning & Budget Committee reviewed those budgets and associated Service Plans on 27 January which was aided by the work of a Task and Finish Forum (TaFF) who carried out a day long review of the budgets and plans on 18 January.

A detailed draft estimate book was presented to the last meeting of the Executive Board and draft Service Plans prepared by Heads of Service can be found on the members' page of the internet.

The Executive Board is asked to recommend the Revenue and Capital Estimates for 2010/11 and Service Plans and to reaffirm decisions identified in the body of this report

As part of the Prudential Code for Capital Finance in Local Authorities the Council is also required to set prudential indicators as part of its budget setting report and these are appended to this report.

### **Recommendation**

It is recommended:

1. That the Committee agree to the inclusion of items to be reinstated in the 2010/11 budget as proposed by the Overview/Scrutiny Co-ordinating Budget and Service Planning Committee detailed in the minutes of that Committee.
2. That the Service Plans and Net Revenue General Fund Estimates of £16.264m and the Housing Revenue Account Estimates of a net deficit of £0.004m are approved.
3. A Council Tax requirement is set for 2010/11 at £6.926m with a resulting Council Tax Band 'D' of £121.78 (2009/10 £118.24).
4. Council House Rents are increased from April 2010 in line with the Government Social Rent Reform guidelines with the general increase being given at a 3.1% increase.
5. Council garage rents are increased from April 2010 by 10%.
6. That the Prudential indicators detailed in Appendix A of this report are adopted.

#### **a) Reasons for Recommendation**

There is a requirement for the Council to set a balanced budget for both the General Fund and Housing Revenue Account and to levy a Council Tax for 2010/11. The presentation of Service Plans to the Executive Board allows Members to examine the future plans of all services.

**b) Alternative Options**

Please see main body of report

**c) Risk Considerations**

Risks have been considered in preparing the budgets and the financial implications have been assessed at the point of preparation. Various budget assumptions have been made including the treatment of inflation and interest rates; estimates on the level and timing of capital receipts; the treatment of demand led pressures; the treatment of planned efficiency savings/productivity gains; levels of income; financial risks inherent in any new arrangements; capital developments; the availability of funds to deal with major contingencies and the need for any provisions. In each of these areas the Council's financial standing, management and track record has been considered in order to prepare robust budget proposals.

A failure to meet service improvements and performance indicators contained within service plans may result in the Council being criticised in a future inspection and could also compromise the Council's reputation and budgets.

A cash saving target of £200,000 is included within the 2010/11 budget in terms of shared service, this sum is derived from the sharing of a Chief Executive and the sharing of a director for 9 months with Exeter City Council. The remainder of the savings will be identified during the course of the year. The cash saving target on procurement of £75,000 will follow actions being undertaken currently with savings on electricity contracts, lease vehicle contracts, travel, and the joining of procurement clubs. Other initiatives are also being planned which will contribute to this target procurement saving.

**d) Policy and Budgetary Considerations**

Service Plans and the associated estimates have been prepared in line with the Corporate Strategy and in conjunction with the Council's Financial Strategy (2010 onwards).

**e) Date for Review of Decision**

Full Council 24 February 2010. The planned improvements in the Service Plans will be monitored quarterly during 2010/11.

**1. Introduction.**

- 1.1 The Executive Board adopted draft revenue and capital estimates on the 6 January 2010. In adopting the estimates they requested that the Chief Executive examine further methods of reducing spending, particularly around staffing, before the next meeting of the Executive Board.
- 1.2 The estimates and associated service plans were considered by the Overview/Scrutiny – Service Planning & Budget Committee on January 27. The Housing Revenue Account estimates and service plans were separately considered by the Housing Review Board on the 26 November 2009 and then on 14 January 2010.
- 1.3 The Draft Estimates and Service Plans for 2010/13 were considered by a Service Planning & Budget Task and Finish Forum on 18 January. Their conclusions were then debated at the Overview/Scrutiny – Service Planning & Budget meeting on 27 January.

**2. Update and Summary of recommendations to the Executive Board.**

- 2.1 A detailed report was presented to the Executive Board on 6 January on the Revenue and Capital estimates for 2010/11 along with the detailed estimate book showing the draft budget, service by service, with main variations to the current year budget explained. Detailed Service Plans are available on the members' page of the internet. The plans and budgets have been prepared hand in hand.

- 2.2 The minutes of the Overview/Scrutiny – Service Planning & Budget meeting on 27 January Minutes are contained on this agenda.
- 2.3 The draft budget originally presented to the Executive Board had a list of proposed savings totalling £892,670 in order to reduce the amount otherwise needed from balances. The recommendation of the Overview/Scrutiny Committee after careful consideration of each of the items in turn was to reinstate £385,250 of expenditure back into the budget; however this sum was to be offset by other items identified by the TaFF and subsequently agreed by the Committee:
- £60,000 additional income generated from an extra 5p increase on the hourly car park charge to that originally proposed of 10p.
  - £100,000 of additional planning fee income to be included because of an upturn in estimated income.
  - £41,080 savings from staffing posts identified in the planning and building control service.
  - £24,070 saving to be met from the LABGI reserve as agreed by the Portfolio Holder – Economy in order to retain grants to the Tourist information Centres.

In total therefore after taking these adjustments into account the Committee are requesting the Executive Board reinstate £160,100 back into the 2010/11 General Fund revenue budget.

- 2.4 It was also considered that with four grant payments totalling £110,830 (community fund, ring and ride grants, local enquiry offices and cemetery grants) that there was potential to reduce the payments. If a 10% reduction was applied, inline with the savings target set for many of the Council's budgets, this would equate to a saving of £11,083.
- 2.5 In addition to these recommendations it was requested that the Executive Board reconsider the assumed Council Tax increase set at 2% and consider if this could be raised to the perceived maximum of 3%, or tactically from a council tax capping perspective to 2.9%. This would generate additional income of £66,570.
- 2.6 A review of the staffing budgets has been considered as request by the Executive Board in January, and in addition to the 17 posts already saved totalling £476,000, an additional £144,370 savings is proposed mainly from not appointing a further 5 posts.
- 2.7 A budget of £6,280 for the Seaton handy person was omitted from the draft budget, it was requested that should be reinstated.
- 2.8 Between presenting the draft budget and now, a few minor adjustments are required to the budget totalling £1,540. This derives from; the announcement on concessionary fare of extra grant income of £4,490 and the saving that could be obtained from EDVSA was originally overstated by £6,030.
- 2.9 The effects of these adjustments, if taken are:

Original draft budget; deficit to be met from General Fund Balance	<b>£645,790</b>
Reinstate specific items of proposed savings net of savings also Identified by Taff (see 2.3 above)	£160,100
Reduce specific grants by 10% (see 2.4 above)	-£11,080
Council Tax increase from 2% to 2.9% (see 2.5 above)	-£66,570

Additional Staff savings identified (see 2.6 above)	-£144,370
Inclusion of Seaton handy person	£6,280
Minor Adjustments (see 2.8 above)	£1,540
Proposed budget; deficit to be from General Fund Balance	<b>£591,690</b>

### 3. Confirmation of Revenue and Capital Estimates 2010/11

3.1 In summary the position for 2010/11 considering the above is as follows;

#### General Fund

<b>Proposed Figures:</b>	<b>General Fund Revenue £'000</b>
Net Expenditure	
Funded from:	16,264
Procurement Efficiency Cash Target	-75
Shared Services Cash Target	-200
Formula Grant (Government Grant)	-8,157
External Interest Receipts	-380
External Interest Payments	112
Contributions from LABGI Reserve	-24
<b>Contributions from General Fund Balance</b>	<b>-592</b>
Collection Fund Surplus	-22
<b>Required from Council Tax payers</b>	<b>£6,926</b>

- The 2010/11 Council Tax Base has been determined at 56,869, equivalent Band "D" properties. This is used to calculate the Council Tax for a Band D property.
- The amount required from Council Tax payers in 2010/11 is £6,925,510 which results in a Council Tax Band 'D' of £121.78 (an increase of 2.9% or £3.54 a year).
- Investment income is used to fund revenue expenditure exclusively (estimated at £380,000 for the General Fund).

#### Housing Revenue Account

<b>Proposed Figures:</b>	<b>HRA £'000</b>
Expenditure	
Funded from:	14,636
Property and Garage Rents	-14,602
Other rents & Income	-91
External Interest Receipts	-19
External Interest Payments	80
<b>Transfer from Housing Revenue Account Balance</b>	<b>-4</b>

- Council House Rents are increased from April 2010 in line with the Government Social Rent Reform guidelines with a general increase being applied of 3.1%. Individual property rent increases will vary dependant on the current rent level and the target rent for each property at the end of the convergence period.

- Council garage rents are increased from April 2010 by 10%.
- Investment income is used to fund revenue expenditure exclusively (estimated at £19,000 for the HRA).

### Capital Programme

<b>Proposed Figures:</b>	<b>Capital £'000</b>
Proposed Programme (net of grants) Funded from:	6,423
In year Receipts	-2,387
Loans (housing new build & refuse/recycling equipment)	-2,159
Housing Revenue Account Contribution	-274
<b>Shortfall met from Capital Reserve</b>	<b>-1,603</b>

- The proposed programme has been increased by £200,000 from that reported in the draft programme to the Executive Board in January. This is to reflect the likely timing of works involved in delivering the new council house build programme, an additional loan sum has been included covering this cost. This does not represent an overall increase in the scheme costs as the £200,000 has been moved from the current year.

## 4. Council's Balances and Reserves

- 4.1 After taking account of proposals in the 2010/11 budgets then the expected balances at the 31 March are:-

<b>Reserve/Balance</b>	<b>Estimated Balance 31 March 2010 £'000</b>	<b>Movement In 2010/11 £'000</b>	<b>Estimated Balance 31 March 2011 £'000</b>	<b>Agreed Recommended Levels £'000</b>
General Fund (note 1)	£2,994	-£592	£2,402	£1,830
HRA (Note 2)	£1,066	-£4	£1,062	£1,050
Capital Reserve (note 3)	£3,431	-£1,603	£1,828	-

### Notes: (1) **General Fund balance**

The General Fund Balance is currently predicted to be above the minimum level by £572,000. It is however considered sensible at this stage to hold such a sum because of areas of uncertainty.

Sums are included within the budget equating to £275,000 which are based on saving targets. The estimated General Fund balance at 31 March 2010 is also based on predicted savings of £500,000, in line with the current year monitoring position. There is a risk that an element of these savings items may not materialise.

A further risk is that a number of budgets have been reduced significantly next year and there is a possibility of requests coming forward in the course of the year for supplementary estimates for legitimate reasons where

expenditure can not be capped within the tight budgets e.g. unknown maintenance issues.

(2) **Housing Revenue Account Balance**

The Housing Revenue Account Balance is £12,000 above the minimum level agreed. This is considered appropriate with the budgeted expenditure being met in the main by available income.

(3) **Capital Reserve**

The Capital Reserve has a projected balance at the end of 2009/10 of £3,431,000. With the proposed capital programme shortfall of £1,603,000 in 2010/11 this would leave a balance of £1,828,000 in the capital reserve to fund future years. The capital programme deficit in 2011/12 alone is currently £1,830,000 and would therefore leave no reserve from 2012/13 onwards.

## **5 Future General Fund and Capital Programme Budgets**

- 5.1 The Financial Strategy highlights an increasing problem of expenditure growing annually at a much faster rate than income, a position made significantly worse by reductions in income levels. This is a concern for both the revenue and capital programmes.
- 5.2 The proposed General Fund Budget for 2010/11 requires an amount to be taken from reserves of nearly £600,000 to balance the books. In setting the budget managers were asked to reduce areas of spending where savings, even on a one off bases, could be taken such as training. It accepted that some of these savings can not be made indefinitely. The Financial Strategy predicted that expenditure over income would increase by £440,000 in 2011/12 compared with 2010/11 with the assumption of a cash freeze in government funding. However significant cuts in future government funding is being discussed in the order of 20%, this would mean a loss to us of £1,630,000.
- 5.3 The Council also needs to create 'headroom' within its revenue budgets in order to accommodate associated debt charges if it wishes to maintain a capital programme anywhere near its current level of expenditure.
- 5.4 There is a clear message over the Council finances, like many other councils, East Devon needs to take action whether that's through the reshaping of service delivery, the shared service agenda or through other means but the associated costs of present structures, methods of working and service delivery are no longer viable.

## **6. The Prudential Code for Capital Finance in Local Authorities**

- 6.1 The Prudential Code for Capital Finance in Local Authorities gives the requirement to report on a series of prudential indicators, which are designed to support and record local decision making. These indicators are required to be part of the Council's budget setting report and attempt to show the overall effect on various financing and borrowing strategies that the Council plans to adopt over the next three financial years. These indicators will be monitored and reported and when necessary updated to reflect any changes in policy.
- 6.2 This Council's prudential indicators are shown in Appendix A to this report and include some explanations to assist Members in understanding the purpose of each indicator.

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## **Legal Implications**

There are no apparent legal implications other than those disclosed in the Report.

## **Financial Implications**

The Council has previously stated its commitment to setting a balanced budget and maintaining its Balances and Reserves at agreed levels.

Any amendment to the proposed budget will impact on the currently balanced budget, the agreed Balance and Reserve levels of the Council and potentially Council Tax levels.

## **Consultation on Reports to the Executive**

Details of this report have been considered by the Scrutiny/Overview Committee and the Housing Review Board. Details have been sent to the East Devon Business Forum for comment.

## **Background Papers**

- Finance Internal estimate working papers.
- Local Government Finance Settlement.
- Housing Subsidy Determinations.
- Local Government Act 2003
- Financial Strategy 2010 onwards
- Capital Strategy
- Details from external investment Fund Manager.
- Reports and minutes from the Executive Board meeting 6/01/10
- Reports and minutes from the Joint Scrutiny/Corporate Overview Committee 27/01/10
- Minutes from the budget and service planning TaFF 18/01/10

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Simon Davey  
Head of Finance

Executive Board  
10 February 2010

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