



East Northamptonshire Council

Finance Sub Committee - 4 January 2010

Revenue Budgets 2010/11

Summary

This report outlines the proposed Revenue Budgets for 2010/11.

Attachment(s)

- Appendix 1 - Summary Budget
 - Appendix 2 - Analysis of Service Expenditure
 - Appendix 2(a) - Summary of Variations
 - Appendix 3 - Prudential Indicators
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1.0 Introduction

- 1.1 The Council has agreed to approve its Revenue Budgets for 2010/11 and set the Council Tax at its meeting on 1 March 2010.
- 1.2 Under its Terms of Reference, the Finance Sub-Committee recommends the budget requirement to the Policy and Resources Committee and as such proposes the necessary level of Council Tax increase to fund the budget.
- 1.3 This report outlines the Revenue Budgets for 2010/11 and the recommendations to Policy and Resources Committee to enable it to make recommendations to Council for these budgets.

2.0 Revenue Budgets 2010/11

- 2.1 The summary budget for 2010/11 is set out in Appendix 1 and is supported in more detail in Appendices 2 and 2(a). This year's budget setting process has been especially difficult with the external economic climate having a severe impact on major sources of income that go towards funding our overall costs. Some of our costs have also risen by more than normal, primarily because of the higher than normal inflation costs for certain specific contractor costs e.g. power costs feeding into the annual renewal price for our major contracts. To balance this Officers have closely examined all budget lines to seek savings.
- 2.2 After excluding Parish precepts and use of reserves, our total budget requirement has reduced by £52,641 from the original estimate set last year. This represents a £359,971 reduction in service budgets offset by a fall in investment income of £307,330. The main reasons for this reduction are: -

Description	Net Budget Increase	Net Budget Reduction
Cost of pay award, incremental progression and other pay costs.	172,122	
Increase in electricity and gas costs	39,000	
Reduction in income from waste collection services and local land charges	79,050	
Other Minor Changes	78,400	
Total Upward Budget Pressures	368,572	
Savings arising out of end of fixed term contracts and freezing of permanent posts.		220,592

Reduction of Community Safety Fund Grant, Historic Buildings, Voluntary Sectors and other grants.		131,880
Increase in subsidy associated with the Concessionary Fares Scheme		102,000
Increase in Housing Benefits subsidy and administration grant		137,080
Net reduction in Public Toilets expenditure and car park costs		137,600
Reduction in Life Assurance, Recruitment and Advertising and staff training costs,		40,660
Reduction in Planning and other Consultants costs		220,000
Reduction in Solicitors Fees		30,000
Reduction in stationery, insurance and maintenance costs		53,560
Minor Increases in income budgets		85,000
Other minor reductions in expenditure budgets		120,171
Total Downward Budget Pressures		1,278,543
Net Difference in Service Budgets		909,971
Reduction in transitional vacancy savings target and capitalisation of salaries	250,000	
Removal of specific efficiency savings target budget (now considered as part of overall savings target)	300,000	
Reduction in investment income as a result of external economic conditions	307,330	
Overall Change In Revenue Budgets		52,641

- 2.3 These figures do not contain any provision for growth items. Any new spending pressures that we may face will be reported either directly to the Policy and Resources Committee.
- 2.4 The overall position as the draft budget stands is that we would need to utilise £1.179m of reserves in order to bring the budget into balance. As reported as part of the Medium Term Financial Strategy (MTFS), £74,000 of this will come from earmarked reserves with the balance from the general fund reserves.
- 2.5 As part of agreeing the MTFS, it was also agreed that we would cap the use of the general fund reserve to £2m over the period of the Strategy. Utilising over half of this in the first year is not advised and therefore it is recommended that Members work with Officers to identify further savings to be found from the 2010/11 budget. If achieved, this would reduce the reliance on the general fund reserve. A Members' Workshop will be held in early February 2010 to help identify savings (and any possible policy implications) and the budget will be considered by the Policy and Resources Committee in February 2010 to incorporate further savings.

3.0 Government Grant

- 3.1 For 2010/11, the level of Government Grant has increased from £6.482 million to £6.661 million, an increase of £0.179 million or 2.76%. It should be noted that part of the amount of grant that we are entitled to is held back to ensure that all Councils receive at least a minimum increase in their grant each year. This process, known as 'dampening', was introduced as part of the new grant distribution formulae in 2004/05. For 2010/11 the amount of grant we receive has been reduced by £0.2m as a result of these formulae.

4.0 Council Tax Levels

- 4.1 In order to fund the budget requirement set out in Appendix 1, it will be necessary to raise £3,596,167 from local tax payers. This equates to a band D equivalent Council Tax of £119.47, an increase of £2.91 or 2.5%. This is within the guidelines that have been

indicated by the Government and the proposed budget should avoid any potential risk of “capping”.

5.0 Reserves and Balances

5.1 In proposing this budget, amounts have been utilised from our various reserves and balances to fund specific items. The expected use of reserves and balances is shown in the table below along with the anticipated closing balance.

Reserve	Estimated Opening Balance	Expected Use	Closing Balance
General Fund Balance	1,930,708	1,104,592	826,116
Earmarked Reserves	4,119,041	74,000	4,045,041
Total Revenue Reserves	6,049,749	1,178,592	4,871,157

5.2 Members should note that the utilisation of amounts from earmarked is consistent with our general policies for these reserves.

5.3. It is proposed that the level of each earmarked reserve will be reviewed during the closing of the 2009/10 accounts to reflect the current need or purpose.

6.0 Contingency Reserve

6.1 The budget setting process that we have adopted for the last three years has removed contingency sums from within individual budget lines. These were amounts that had previously been included to meet any unforeseen circumstances. In accordance with our budget and policy framework procedure rules, we have again included an amount for contingencies. If required, these amounts will again be funded from the General Reserve. The figures presented in this report include both the anticipated expenditure and funding.

7.0 Prudential Indicators

7.1 The Council is required to set prudential indicators with regard to its spending plans. These are detailed in Appendix 3. The indicators demonstrate the impact on Council Tax levels of the proposed spending plans and therefore demonstrate affordability. They also set limits for borrowing. Although there is no immediate intention to borrow, the limits have been set at a level which will allow an element of flexibility to draw down the required money for Manor Park.

8.0 Risk Assessment

8.1 A number of assumptions have been made in the construction of this budget. Although every effort has been made to ensure that the most likely outcome is reflected in our financial plans, there are some risks that the actual outturn could be different. These assumptions and risks are the same as reported with the MTFs and can be viewed on our website at: -
<http://www.east-northamptonshire.gov.uk/ppimageupload/Image16390.PDF>.

9.0 Recommendation

9.1 The Sub-Committee is recommended to consider the report and recommend to the Policy and Resources Committee:

(1) That the draft Revenue Budget outlined in Appendices 1 and 2 for 2010/11, including the use of earmarked reserves outlined in Paragraph 5.1 above, to fund certain items, be approved, subject to further savings being agreed at the Policy and Resources Committee in February 2010.

(2) That a Contingency Reserve of £100,000 be approved for inclusion within the revenue budget.

(3) That the Prudential Indicators outlined in Appendix 3 be recommended to the Council.

Implications:	
Corporate Outcomes or Other Policy/Priority/Strategy	
Good Quality of Life	<input checked="" type="checkbox"/> Good Reputation <input checked="" type="checkbox"/>
Good Value for Money	<input checked="" type="checkbox"/> High Quality Service Delivery <input checked="" type="checkbox"/>
Effective Partnership Working	<input checked="" type="checkbox"/> Strong Community Leadership <input checked="" type="checkbox"/>
Effective Management	<input checked="" type="checkbox"/> Knowledge of our Customers and Communities <input checked="" type="checkbox"/>
Employees and Members with the Right Knowledge, Skills and Behaviours	<input type="checkbox"/>
Other:	
Decision(s) would be outside the budget or policy framework and require full Council approval <input checked="" type="checkbox"/>	
Financial	There are no financial implications at this stage <input type="checkbox"/>
	There will be financial implications – see paragraph whole report <input checked="" type="checkbox"/>
	There is provision within existing budget <input type="checkbox"/>
	Decisions may give rise to additional expenditure at a later date <input type="checkbox"/>
	Decisions may have potential for income generation <input type="checkbox"/>
Risk Management	An assessment has been carried out and there are no material risks <input type="checkbox"/>
	Material risks exist and these are recorded at Risk Register Reference – 257 and 470 inherent risk score - Primary <input checked="" type="checkbox"/> residual risk score - contingency
Staff	There are no additional staffing implications <input checked="" type="checkbox"/>
	Additional staff will be required – see paragraph <input type="checkbox"/>
Equalities and Human Rights	There will be no impact on equality (race, age, gender, disability, religion/belief, sexual orientation) or human rights implications <input checked="" type="checkbox"/>
	There will be an impact on equality (see categories above) or human rights implications – see paragraph <input type="checkbox"/>
Legal	Power: Local Government Acts 1972, 2000 and 2003 and Local Government Finance Acts Other considerations: Constitution
Background Papers: 2010/11 Budget Working Papers	
Person Originating Report: Robert Austin, Head of Resources	
Date: 10 December 2009	
CFO	MO
	CX

(Committee Report Normal Rev. 16)

East Northamptonshire Council

General Fund Budget 2010/11

Actual 2008/09		Budget 2009/10	Budget 2010/11
487,114	Central Services to the Public	526,330	466,520
4,771,382	Cultural, Environmental and Planning Services	5,052,500	4,626,584
5,321,688	Departmental, Central and Support Services	5,789,100	5,662,832
430,784	Highways, Roads and Transport Services	485,960	368,760
204,466	General Fund Housing Services	306,970	192,723
515,687	Corporate and Democratic Core	523,570	451,720
802	Non-Distributable Costs	(725,300)	(169,980)
11,731,924	Net Cost of Services	11,959,130	11,599,159
	Other Expenditure/Adjustments		
(1,143,016)	Interest and Investment Income	(494,000)	(186,670)
(929,534)	Appropriation To/(From) Reserves	(1,515,450)	(1,178,592)
9,659,374	Total Budget Requirement	9,949,680	10,233,897
	Sources of Funding		
(6,316,259)	RSG/NNDR Grant	(6,482,080)	(6,660,730)
	Transfer (From)/To Collection Fund	29,200	23,000
(6,316,259)	Total Funding	(6,452,880)	(6,637,730)
3,343,115	AMOUNT TO BE MET FROM COUNCIL TAX	3,496,800	3,596,167
29,800	Council Tax Base	30,000	30,100
112.19	Estimated Equivalent Band D Tax (ENC Element)	116.56	119.47

Revenue Budget Report

Analysis of Service Expenditure

Appendix 2

Actuals 2008/09	Description	Budget 2009/10 £	Budget 2010/11 £
<u>Central Services to the Public</u>			
44,124	Elections	38,700	26,200
27,503	Emergency Planning	27,070	32,100
155,620	General Grants Bequests & Donations	150,000	110,000
(20,032)	Local Land Charges	(47,190)	(43,770)
279,899	Local Tax Collection	357,750	341,990
487,114	Total Central Services to the Public	526,330	466,520
<u>Cultural, Environmental and Planning Services</u>			
16,190	Culture & Heritage	17,400	17,400
641,570	Recreation and Sport	705,920	681,520
135,286	Tourism	142,540	144,260
102,022	Open Spaces	29,510	19,830
76,469	Safety Services	50,000	15,000
563,078	Environmental Health	644,110	523,673
11,319	Flood Defence & Land Drainage	11,790	9,760
962,974	Street Cleansing	1,034,660	1,044,953
1,282,794	Waste Collection	1,367,140	1,414,893
121,653	Crime Reduction	161,020	158,710
(22,584)	Building Control	(15,150)	(39,785)
293,847	Development Control	152,750	162,010
276,360	Planning Policy	352,350	126,990
70,753	Environmental Initiatives	49,960	52,760
81,412	Economic Development	143,490	144,530
158,240	Community Development	205,010	150,080
4,771,382	Total Cultural, Environmental and Planning Services	5,052,500	4,626,584
<u>Departmental, Central and Support Services</u>			
1,205,591	Resources	1,184,000	1,231,840
373,346	Customer Services	445,440	428,870
442,187	Organisational Development	432,940	394,912
425,611	SMT	484,470	466,950
307,796	Environmental Services	348,410	336,420
962,453	ICT	1,222,400	1,216,470
519,501	Offices	526,220	535,140
289,326	Planning Services	308,630	296,190
652,693	Policy and Community Development	652,140	582,990
143,186	Revenue and Benefit Services	184,450	173,050
5,321,688	Total Departmental, Central and Support Services	5,789,100	5,662,832
<u>Highways, Roads and Transport Services</u>			
11,961	Environmental Safety Routine Maintenance	11,010	10,170
86,587	Parking Services	81,130	67,580
332,236	Public Transport	393,820	291,010
430,784	Total Highways, Roads and Transport Services	485,960	368,760

Revenue Budget Report

Appendix 2

Analysis of Service Expenditure

Actuals 2008/09	Description	Budget 2009/10 £	Budget 2010/11 £
<u>Housing Services</u>			
74,255	Housing Strategy	91,180	97,710
13,659	Housing Advice	15,180	15,360
119,338	Private Sector Housing Renewal	136,850	114,940
183,014	Homelessness	209,030	229,290
(185,800)	Housing Benefits Payments	(145,270)	(264,577)
204,466	Total Housing Services	306,970	192,723
<u>Corporate and Democratic Core</u>			
336,211	Democratic Representation & Management	329,320	316,720
179,476	Corporate Management	194,250	135,000
515,687	Total Corporate and Democratic Core	523,570	451,720
<u>Unapportionable Central Overheads</u>			
802	Retirement Costs (inc FRS17 adjustments)	49,700	55,020
*	Contingency	100,000	100,000
*	Transitional Vacancy Savings	(450,000)	(250,000)
*	Capitalisation of Salaries	(125,000)	(75,000)
*	Efficiency Savings	(300,000)	
*	Non allocable amortisation credits		
	<i>* 2008/09 Actuals included within service expenditure</i>		
802	Total Unapportionable Central Overheads	(725,300)	(169,980)
11,731,924	Total	11,959,130	11,599,159

Summary of Variations 2009/10 – 2010/11 Budgets

Ref.	Service Area	Net Budget Variance
1	Elections	Centralisation of Postage costs (£12.5k) now within Resources.
2	General Grants Bequests & Donations	Revision of model for funding the voluntary sector, as per P&R Committee to help achieve a budget saving.
3	Local Tax Collection	Reflects changes on Discretionary Rate Relief provision.
4	Recreation and Sport	Salary. £10k budget reduction on building maintenance and repairs.
5	Safety Services	Reduction on Community Safety Fund Grants.
6	Environmental Health	Increased activity in the Licensing Unit.
7	Street Cleansing	Assumed increase of 3% contract costs for inflation.
8	Waste Collection	Estimated loss of income (£33k Commercial Premises and £10.5k NCC recycling contribution) due to economic downturn.
9	Building Control	Staff savings (£13.5k) and assumed increased on income fees (£11.1k)
10	Planning Policy	Reduction on costs for the Local Development Framework and abolition of Historic Building Grants as per BRG (£42k).
11	Community Development	Reduction on staffing costs.
12	Resources	Reduction of £18k on staffing costs and £15.3k on Insurance costs. £82.4k Increase on Postage costs, transferred from other services for centralisation.
13	Customer Services	Reduction on staffing costs.
14	Organisational Development	Reduction on Life Assurance (£16.4k) and Recruitment Advertising costs (£20.3k)
15	SMT	Reduction on staffing costs.
16	Environmental Services	£5.4k reduction on Postage costs now centralised within Resources, and reduction on staff travelling costs.
17	Planning Services	£14k reduction on Postage costs now centralised within Resources.
18	Policy and Community Development	Reduction on staffing costs due to completion of the A4E project.
19	Revenue and Benefit Services	The reduction of Security cash collection costs is the main reason for this variance.
20	Parking Services	Abolition of contributions to Town Councils as per BRG, and increase of £7.8k for National Non-Domestic Rates.
21	Public Transport	Reduction mainly due to changes to the concessionary fares policy.
22	Private Sector Housing Renewal	Reduction on staffing costs.
23	Homelessness	Increase on contract payments to Spire Homes for provision of cost of Housing Options Contract Homelessness, agreed at P&R committee 15 June 2009 min. 43 refers
24	Housing Benefits Payments	Reduction reflects the changes to the Housing Benefits Administration and Subsidy.
25	Democratic Representation & Management	Support to Standards Board and Scrutiny that will now be met from contingency if necessary.
26	Corporate Management	Variances due to the end of our contribution to the LAA administration unit.
27	Transitional Savings	This reflects our current estimate for savings we will accrue as a result of posts becoming vacant. Last year's figure was higher because we anticipated the impact of the reduced pay award and the fact that some posts would not be filled if they became vacant.
28	Capitalisation of Salaries	This reflects the level of salaries we can now capitalise in accordance with financial regulations.
29	Efficiency Savings	No longer shown as a separate item.

Prudential Indicators

ref	Prudential Indicator	2007/08 Actual	2008/09 Probable	2009/10 Estimate	2010/11 Estimate	2011/12 Estimate
		£	£	£	£	£
	Capital Expenditure & Commitments					
1	Capital Expenditure By Service					
	- Central Services to the Public					
	- Cultural, Environmental and Planning Services		4,385,892	771,318	5,073,544	1,735,079
	- Highways, Roads and Transport Services					
	- Housing Services		467,840	681,000	1,250,000	250,000
	- Corporate and Democratic Core		456,330	629,951	659,000	381,500
	- Unapportionable Central Overheads					
	Total	0	5,310,062	2,082,269	6,982,544	2,366,579
2	Estimate of Capital Financing Requirement	-565,035	-565,035	-565,035	-565,035	-565,035
	Affordability					
3	Ratio of financing costs to net revenue stream	0	0	0	0	0
4	Impact of capital investment decisions on the Council Tax (lost interest)	0.00	9.93	3.67	11.52	3.84
	External Debt					
5	Authorised limit for external debt	5,000,000	5,000,000	15,000,000	15,000,000	15,000,000
6	Operational boundary for external debt	5,000,000	5,000,000	15,000,000	15,000,000	15,000,000
	Treasury Management					
7	Adoption of the CIPFA Code of Practice for Treasury Management in the Public Services	Yes	Yes	Yes	Yes	Yes
8	Upper limit for borrowing that is at variable rates less investments that are at variable rates	0	0	0	0	0
9	Lower limit for borrowing that is at variable rates less investments that are at variable rates	0	0	0	0	0
10	Upper limit for borrowing that is at fixed rates less investments that are at fixed rates	0	0	0	0	0
11	Lower limit for borrowing that is at fixed rates less investments that are at fixed rates	0	0	0	0	0
12	Upper Limit for the maturity structure of borrowing:					
	under 12 months	5,000,000	5,000,000	15,000,000	15,000,000	15,000,000
	12 months and within 24 months	5,000,000	5,000,000	15,000,000	15,000,000	15,000,000
	24 months and within 5 years	5,000,000	5,000,000	15,000,000	15,000,000	15,000,000
	5 years and within 10 years	5,000,000	5,000,000	15,000,000	15,000,000	15,000,000
	10 years and above	5,000,000	5,000,000	15,000,000	15,000,000	15,000,000
13	Lower Limit for the maturity structure of borrowing:					
	under 12 months	0	0	0	0	0
	12 months and within 24 months	0	0	0	0	0
	24 months and within 5 years	0	0	0	0	0
	5 years and within 10 years	0	0	0	0	0
	10 years and above	0	0	0	0	0
14	Upper limit for total principal sums invested for over 364 days	12,000,000	12,000,000	6,000,000	6,000,000	6,000,000