

Report of the Director of Resources

Revenue and Capital Budget Estimates 2009/10

Purpose of Report

- 1 This report presents the 2009/10 budget proposals for Resources Directorate. It includes:
 - the revenue budget for 2008/09 (Annex 1) to show the existing budgets
 - the budget adjusted and rolled forward from 2008/09 into 2009/10
 - the provisional allocation of pay and price increases for the portfolio
 - proposals for budget service pressure costs and savings options for the portfolio area (Annexes 2)
 - fees and charges proposals (Annex 3)
 - the existing approved capital programme (Annex 4)

- 2 Budget Council will be held on 26 February 2009 and will make decisions on the overall budget for the Council. In order to facilitate the decision making process the Executive are meeting on 16 February 2009 to consider the preferences identified by the individual portfolio Executive Members and the results of the consultation exercise.

- 3 The Corporate Services Executive Member is therefore asked to consider the budget proposals included in this report and identify their preferences (after considering the proposals in annexes 2 and 3) which will be considered by the Executive as part of the consultation exercise. EMAP is invited to provide comments on the budget proposals in this report.

Background

- 4 The Council's Financial Strategy was adopted by the Executive on 23 September 2008. This paper is the result of ongoing work against this agreed framework.

- 5 The provisional Local Government Finance settlement for 2008/09 was issued on 6 December 2007 and it also included indicative figures for 2009/10 and 2010/11 which will enable the Council to consider future budget issues. The provisional settlement for 2009/10 gives an increase in formula grant of £1.159m, an increase of 2.74%

Budget Proposals for Resources Directorate

- 6 A summary of the budget proposals is shown in Table 1 below. Further details on each individual element are presented in the subsequent paragraphs. The annexes also contain other potential savings items which at this stage are not being recommended to Members.

Table 1 - Summary of Budget Proposals

	Para. Ref	£'000
Base Budget 2008/09	7	4,042
Provisional allocation for pay increases	8	204
Provisional allocation for price increases	9	100
Other Budget Pressures:		
IT Development Plan	10-11	350
Full year effect of 2008/09 growth items	12-13	63
Service Pressure proposals	15	0
Savings proposals (Annex 2)	16	-692
Proposed Budget 2009/10		4,067

Base Budget (£4,042k)

- 7 This represents the latest budget reported to Members, updated for the full year effect of decisions taken during 2008/09, e.g. supplementary estimates.

Provisional Pay Inflation (£204k)

- 8 These calculations are based on a pay increase for APT&C of 2.25%. The negotiations for the 2009/10 settlement have not yet started, although there is pressure from the Treasury that increases are kept under 2%.

Provisional Price Inflation (+/-£100k)

- 9 The budget proposes that a 2.5% increase on both controllable expenditure and income budgets. Only increases for fees and charges above 2.5% are included in the savings proposals.

Other Budget Pressures (+£350k)

- 10 These represent pressures over which the service has no influence, e.g. changes to funding and expenditure which are due to national policy initiatives.
- 11 The IT Development Plan (£350k) represents the revenue costs of the priority investment in technology that was agreed in principle by Members as part of the IT development plan report received by the Executive. This funding supports IT developments for all council directorates. The funding is based on a required budget level of £450k as agreed by Executive 2nd December 2008 (IT development Plan 2009/10) however since there is regularly slippage on this budget a one-off credit of £100k is proposed to reflect this.

Full Year Effect of 2008/09 Saving Items

- 12 Several saving items were approved in 2008/09 where there is either a full year cost or a non-recurrence in 2009/10.
- 13 The costs shown in table 2 below represent the additional funds needed in 2009/10.

Table 2 - Full Year Effect of 2008/09 Pressures

	£'000
Full Year effect of recurring departmental pressures in 2008/09	
Audit Commission fee increases – further anticipated increase in Audit Commission fees due to new inspection regime	10
Reduction in Housing Benefit Administration Grant – the government has announced ongoing 5% reductions in support for the Housing Benefit administration service.	28
Housing benefit post funded from additional RSG	25
Total Full Year Costs	63

General Contingency

- 14 Members should note that there are potential expenditure pressures that may materialise in 2009/10 but which are not yet certain or not quantifiable at this stage. There are no issues identified within the Resources Directorate that are assumed to be calls on the contingency which is proposed to be set at £600k.

Service Pressures (£0k)

- 15 For 2009/10 the directorate has looked to deal with any identified service pressures within current budgets. There are therefore no service pressures which need to be funded through the budget process.

Savings Proposals (£-692k)

- 16 Members will be aware that the 2008/09 budget savings were significant and that all Directorates are operating within a tight financial environment. In seeking to achieve savings for the 2009/10 budget Directorates have examined budgets with a view to identifying savings that have a minimum impact on the services provided to the public, customers and the wider Council. Instead they have concentrated on initiatives that;
- improve quality and efficiency
 - take advantage of ongoing service and/or Best Value reviews
 - generate income
 - address budgetary underspends
 - improve cash flow and interest earnings
 - generate savings from the technical and financial administration

functions of the Council

- 17 In addition to the initiatives listed above the list of savings also includes proposals to increase fees and charges (see also section below). Generally these are increasing by 2.5% but this is varied by directorates as they are affected by national constraints/requirements.
- 18 Annex 2 shows the full list of savings proposals for the Resources Directorate.

Fees and Charges

- 19 The details of the proposed fees and charges for the services provided by this portfolio are set out in Annex 4. Where fees and charges increases are being set above the inflation requirement they have been included in Annex 3. Members will note that it is proposed to freeze court fees at the 2008-09 level however since income from this budget area is currently above budget it will be possible to absorb a 2.5% budget increase.

Capital Programme

- 20 The Council's existing capital programme as approved at monitor 2 is shown at Annex 4.
- 21 There are no further schemes proposed to be considered for this portfolio.

Treasury Management

- 22 The Treasury Management function which manages the council's loans and investments is part of the Resources Directorate. The staff employed in this function have an integral role in achieving significant savings on behalf of the Council as a whole. As the budget is so specialised the budget proposals are shown separately in the table below:

	Para. Ref	£'000
Base Budget 2008/09		6,937
Budget Pressures:		
Borrowing Interest Paid	24	-710
Cost of Minimum Revenue provision	26	732
Investment Interest Earned	27	768
Proposed Budget 2009/10		7,727

- 23 The table shows that there is a decrease in external interest to be paid on borrowing and then an increase in the Minimum Revenue Provision and a decrease in the amount of interest to be earned during the year.
- 24 The table also shows that there is a fall in interest to be paid on external debt in 2009/10. This is due to high coupon debt being repaid in June 2008 and being refinanced at a lower rate later in 2008. Also interest rates estimated for 2008/09 were higher than those that have actually been taken. Therefore

even though interest to be paid on borrowing for 2009/10 has increased in line with the increased requirements of the capital programme, the budget requirement shows a decrease.

- 25 The market will be monitored to take advantage of beneficial low interest rates when they become available and opportunities will be taken to refinance, to ensure that external interest paid is kept to the lowest level possible.
- 26 The Minimum Revenue Provision, which is the provision made to repay debt every year, has increased in line with the increase in the additional borrowing required to support an increase in the 2009/10 capital programme.
- 27 Investment Interest earned will decrease during 2009/10 due to the effect of the credit crunch and the lower interest rates being available for investment. However the Council is not fully exposed to the decrease in interest rates as 27% of the 2009/10 average cash balance has already been invested in fixed term deposits at rates of interest higher than those estimated for 2009/10.
- 28 Interest rates for borrowing and investments will be continually monitored during 2009/10 and advantage taken of favourable rates when they become available.

Consultation

- 29 This paper forms part of the Council's budget consultation. The other streams being undertaken include a recently held public meeting where participants sat at tables and tried to produce a balanced budget after considering growth and saving priorities, a leaflet circulated city wide with a fold-out return part, fora and a web-based process.

Options

- 30 As part of the consultation process Members of EMAP are asked for their comments or alternative suggestions on the proposals shown in Annexes 2, and 3.

Analysis

- 31 All the analysis is provided in the body of the report and the annexes.

Corporate Priorities

- 32 The budget represents the opportunity to reprioritise resources towards corporate priority areas. The Resources Directorate primarily supports the other directorates in achieving their corporate priorities. Savings have been targeted primarily where efficiencies can be made from better working practices thus protecting front line services.

Implications

- 33 The implications are:
- Financial - the financial implications are dealt with in the body of the

report.

- Human Resources – there are no HR implications to the proposed growth or savings items.
- Equalities - there are no equality implications to this report.
- Legal - there are no legal implications to this report").
- Crime and Disorder - there are no specific crime and disorder implications to this report.
- Information Technology - there are no information technology implications to this report.
- Property - there are no property implications to this report.
- Other - there are no other implications to this report.

Risk Management

- 34 Key reporting mechanisms to Members on budget matters will continue to be through mid-year monitoring reports and the final Revenue Outturn report for the year. The format/timing of these reports has recently been considered by the Council's Management Team but as a minimum they will report on forecast out-turn compared to budgets and will also address the progress made on investments and savings included within the budgets.
- 35 The budget setting process always entails a degree of risk as managers attempt to assess known and uncertain future events. This year has demonstrated the difficulty of achieving this. As with any budget the key to mitigating risk is prompt monitoring and appropriate management control. As such updated figures and revised corrective actions will be monitored via Directorate Management Teams, Corporate Management Team and the monitor reports during the year.

Recommendations

- 36 The Executive Member Advisory Panel is invited to consider whether the budget proposals are in line with the Council's priorities.
- 37 The Executive Member Advisory Panel is invited to provide comments on the budget proposals for savings and growth which have been prepared by Officers and contained in this report, which are intended to form part of the Council's budget to be considered by the Budget Executive on 16 February 2009.
- 38 The Executive Member Advisory Panel is invited to provide comments on the areas for consultation for the revenue budget contained in this report, which may form part of the Council's budget to be considered by the Budget Executive on 16 February 2009.
- 39 The Executive Member is invited to consider whether the budget proposals are in line with the Council's priorities.
- 40 The Executive Member is asked to consider the budget proposals for consultation for Resources Directorate for 2009/10 contained in this report and listed below and provide comments to be submitted to the Budget Executive on 16 February 2009.

- 2009/10 Base budget as set out in paragraph 7;
- Savings proposals as set out in Annex 2;
- Fees and charges as set out in Annex 3.

Contact Details

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Specialist Implications Officer(s) None

Wards Affected: *List wards or tick box to indicate all* **All**

Background Working Papers

Budget working Papers held in City Strategy Finance

Annexes

Annex 1 - 2008/09 Budget
Annex 2 - Savings Proposals
Annex 3 - Fees and Charges
Annex 4 - Existing Capital Programme