

Draft Revenue Budget Proposals 2010/2011

CABINET

Date: 9th December 2009

Author: Cabinet Member for Finance and Benefits and Director of Finance

Parish / Wards Affected: All Wards

Purpose

To set out the draft 2010/11 Revenue Budget proposals for agreement by Cabinet as the basis for further development and consultation.

Recommendation

Cabinet is requested to:

- Agree that the draft proposals contained in Appendix 2 to this report are used as the basis for consultation with the Council's stakeholders;
- Agree the fees and charges for 2010/11 as set out in Appendix 3;
- Agree that the Council takes a view on the level of contingency it needs to hold to support the 2010/11 Budget in February 2010, based on the advice of the Director of Finance;
- Note that severance payments in line with existing policy will be made to those individuals affected by the Budget proposals;
- Note the work that is progressing on the Budget for the Housing Revenue Account and Dedicated Schools Grant.

1. Reasons

- 1.1 The Council's Constitution states that the Cabinet will publish initial Budget proposals no later than 2 months before the Budget is adopted.

2. Detail

Context for Budget Preparations

- 2.1 The 2007 Comprehensive Funding Review (CSR) was the first of a multiple year funding announcement whereby Local Authorities were advised of the level of grant funding they would receive to support their annual budgets for the three financial years 2008/09 to 2010/11. The Council received the provisional local government finance settlement from Central Government on 26th November 2009 which confirmed that the level of general grant income for 2010/11 is in line with expectations.

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Further information is awaited in relation to the receipt of specific grant income and the finer details of any forthcoming announcements will be reviewed by officers and incorporated into the proposed Budget report to Cabinet in February 2010.

- 2.2 In terms of Council Tax, Cabinet Members have given a clear steer that they would like the increase to be as modest as possible. This has meant on the one hand that the Council has had relative certainty over the level of resources it would have to spend for the Financial Year 2010/11 for some time, but on the other that these resources would be entirely insufficient to cover spending needs.
- 2.3 Based on these assumptions, it was recognised early in the Budget setting process that a significant gap would exist between the level of funding available and the increasing cost pressures being put on the Council. As a result Cabinet endorsed a Budget Strategy that worked on the premise of Group Directorates generally planning to contain all future cost pressures within their existing Group Budgets for 2009/10.

Revenue Budget Strategy

- 2.4 The issues being faced by local authorities generally and Swindon in particular were set out in the Budget Strategy report to Special Cabinet on 18th November. The over-arching strategy for the Council continues to be to support significant additional investment in key services to the public while reducing expenditure in back-office functions.
- 2.5 In this context, a number of key responding strategies have been developed, including:
- Changing the focus of service provision from intervention to prevention;
 - Enabling greater community ownership and involvement in local service delivery;
 - Using the opportunity presented by the New Ways of Working project to rationalise team structures;
 - Closer joint working with public sector partners to align resources to common priority areas and remove duplication;
 - Reviewing the level of subsidy provided by Council Taxpayers generally to the costs of services provided to individuals;
 - Challenging suppliers in all areas on the cost of services provided
 - Maximising revenue streams.
- 2.6 In total, £12.6 million of costs have been added to the draft Budget over and above an allowance for inflation on pay and prices, both based on a general 1% uplift for most areas. Full details are provided in Appendix 2, with significant cost increases including:

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- £3.6m for the increasing cost of social care before mitigating actions.
 - £1.3m in recession-related cost pressures and reductions in income
 - £2.5m for debt charges and investment income as the flow of capital receipts used to finance the Capital Programme have been exhausted
- 2.7 The capital programme proposals “long-list” for 2010/11, elsewhere on the agenda, proposes £7m of new schemes starting in 2010/11 funded from corporate capital resources. This will cost approximately £500k, which is contained within the £2.5m cost pressure referred to above. The remainder reflects the balance of the 2006-10 capital programme and the impact of equal pay compensation on the Council's revenue budget.
- 2.8 At this stage, the draft budget proposals only allow for an inflationary increase in Members Allowances. Once Council has considered the report from the Independent Remuneration Panel, any further costs arising out of any agreed level of increase will need to be reflected in the Final Budget Proposals considered by Council in February 2010.
- 2.9 One-off resources have been identified to assist the Council in taking a medium-term view of its finances. Approximately £2m is potentially available to help cash flow Budget savings that may have a lead-time before they can be fully realised, plus all the other one-off costs the Council is facing. This includes an Invest to Save fund that was created to fund the development of business cases by Capita to help with the Council's transformation programme. In February 2009 Council approved the release of £2m of one off resources to fund a range of initiatives, most significantly the creation of a Transformation Team. Members will be asked to consider potential further allocations of one-off resources in February as part of the final budget proposals for 2010/11.

Savings Proposals

- 2.10 The detailed Budget proposals for 2010/11 are shown in Appendix 2 and include £10.5m of savings, of which £7.7m are primarily through more efficient working. Where proposals have no impact on services to the public, they are being implemented immediately by officers under delegated authority in order to ensure full year savings in 2010/11 and to assist balance the current year's Budget. Implementation will result in a number of redundancies and the Cabinet is asked to note that severance payments may be made in line with existing Council policy on redundancy and early retirement and the voluntary redundancy scheme introduced in 2007/08.
- 2.11

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- 2.12 The 2007 Comprehensive Spending Review sets out a requirement for Local Government to deliver 3% cashable efficiency savings with the Government's expectation that the vast majority of these savings will be generated from business process improvements and smarter procurement. Although these requirements do not specifically apply to individual authorities, the Council's draft Budget proposals place a high emphasis on these tools and the savings proposals greatly exceed the overall target level.

Learning Skills Council

- 2.13 As part of the Machinery of Government change with effect from 1st April 2010 the roles and responsibilities for the strategic planning and commissioning for 16-19 provision (19-25 year olds with learning difficulties and 10-18 young offenders) will transfer from the Learning Skills Council (LSC) to Local Authorities. In this context the 'commissioning role' for the local authority will be to formulate the overall plan for education and provision, ensuring that the needs of all young people are understood through a strategic analysis and appropriate high quality provision planned, negotiated and agreed with local and regional providers.
- 2.14 The exact financial implications of this transfer is not yet fully known, however, staff from the LSC will transfer to Local Authorities with effect from 1st April 2010. Swindon has been notified that they will receive £235k to cover the staffing costs of 6 posts. Currently 4 LSC staff will be transferring to Swindon Borough Council on the 1st April 2010.

Dedicated Schools Grant

- 2.15 Since 2006/07, expenditure relating to schools has been met directly from the ring fenced Dedicated Schools Grant (DSG). The 2010/11 DSG Budget is the final year of a 3 year financial settlement from the Government which gives all schools a minimum funding guarantee of 2.1% per annum.
- 2.16 In the Summer of 2007 there was a comprehensive consultation on the formula used to allocate the DSG to individual schools and the current formula has now been set and will remain the same for the next year. This is in line with the three-year financial settlement and the Department for Children, Schools and Families (DCSF) review of the DSG in 2011/12.
- 2.17 It is a requirement that the Schools Forum is consulted on DSG budget proposals and a considered balanced Budget will be presented to the Schools Forum during January 2010. The 2009/10 DSG budget is under considerable pressure and is currently forecasting an over spend of

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£697k at the end of the current financial year. The main pressure on the DSG budget is in relation to Special Educational Needs. The majority of Special Schools in Swindon are full but there is still increasing demand for further places. This has put significant pressure on the Out of Borough, Recoupment and Home Tuition budgets. The Schools Finance Regulations 2006 allow for the balance of Dedicated Schools Grant (DSG) at 31st March to be carried forward to the next financial year. If the projection for the year-end remains as an over spend at the end of the financial year it will be deducted from the DSG allocation for 2010/11. This will put significant pressure on the 2010/11 DSG budget and it will be extremely challenging to set a balanced DSG budget in 2010/11.

Risk Assessment

- 2.18 Each of the savings proposals put forward as part of the Budget setting cycle has been individually risk assessed and the information shared with the individual Cabinet Members.
- 2.19 During 2009/10, the General Contingency Fund was increased to £1.8m to reflect the level of risk associated with recession-related pressures and the demand pressures within Social Care. The draft proposals assume that £840k of this is diverted to Environment, Regeneration and Communities and Business Transformation to recognise temporary reductions in income and increased Benefits processing costs directly linked with the recession. As these pressures reduce as the economy comes out of recession, funding will be taken from these Groups to replenish the contingency fund.
- 2.20 For 2010/11, this approach will leave a General Contingency Fund of £951k. As action plans to deliver planned savings are refined over the course of the next two months, the Director of Finance will form a view and recommend to Members whether this is sufficient in light of the risk within the final Budget to be proposed to Council in February 2010. One key risk relates to the announcement by Central Government to make free social care available to the most vulnerable adults in communities. At this stage the details of this announcement and the potential financial impact on the Council is not clear.

Single Status

- 2.21 The financial impact of the single status project was included in the report to Cabinet on 18th November 2009. In total the Council has set aside £1.7m of additional resources in its 2010/11 General Fund pay budgets to accommodate the net impact of changes to individuals pay. Drawings against this sum will be monitored during 2010/11 as the

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project moves into the implementation and appeals stage but it is expected that the £1.7m will be sufficient to meet the additional costs.

Fees and Charges

- 2.22 The Budget proposals set out in the appendices assume an across the board increase in fees and charges of around 2% for most services. Where services have increased charges by above the rate of inflation, the additional fee income is shown as a separate line within the detailed savings proposals set out in Appendix 2.
- 2.23 A full schedule of existing and proposed fees and charges is set out in Appendix 3 and Members are asked to endorse these at the meeting in order that officers can proceed with the publication of literature in advance of the formal Budget setting meeting in February 2010, ready for the start of the new financial year. Members are asked to note that the increases for charges for Recreation Services are effective from 1st January 2010.
- 2.24 Members will be aware that the Chancellor of the Exchequer reduced the standard rate of Value Added Tax (VAT) from 17.5% to 15% for a 13 month period from 1st December 2008. The adjustment back up to the full 17.5% rate will be effected in the 2010/11 charges and Budgets have been adjusted to reflect this change.
- 2.25 As part of the 2010/11 Budget setting process, a "Revenue Income Optimisation" (RIO) project was initiated to generate additional income to the Council. The broad principles of this project are included within Appendix 3 together with resulting impact on proposed charges.

Housing Revenue Account

- 2.26 The financial viability of the Housing Revenue Account (HRA) is heavily reliant on the level of income generated from tenants in the form of rents and how much of this rental income has to be repaid to Central Government in the form of negative housing subsidy.
- 2.27 Since 2002, local housing authorities have had to calculate what is known as a formula rent for each of their properties under the Government's rent restructuring policy. Since most actual rents are below these formula rents, local authorities were allowed until 2012 to converge so that their actual and formula rents were the same. This policy also applied to housing associations. However, the Government changed this to 2023/24 last year in order to reduce the total increase to an average of 6.2%. This was revisited in March when the extent of the recession became apparent and revised guidance was issued that enabled local authorities to reduce the increase to 3.1%. Swindon

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Borough Council took this opportunity to minimise the impact of the increase on our tenants.

- 2.28 The increase in annual rents and the level of negative subsidy are outlined in a Government announcement called the Housing Subsidy Determinations. The Department of Communities and Local Government (DCLG) is due to issue for consultation the draft HRA Subsidy Determinations for 2010/11 on within the next month. The closing date for responses will be 4-5 weeks later with the final determinations being issued in mid - late December 2009. In the determination for 2009/10 the Government had proposed that the rent increase would be 6.1%, however the rent setting formula of RPI +0.5% +£2 would indicate a figure somewhere around 2.1% (RPI in September = -1.4%). Budgets are currently being prepared on the basis of a nil increase. As there is no obvious sign of an end to the current recession it is unclear what action the Government will take to protect the rent.
- 2.29 The annual rent and charges consultation meetings will be held on 6th January 2010 to outline to tenants and leaseholders how their rents and charges are calculated and how their services are delivered.
- 2.30 Opinions and comments made at the consultation meetings will be factored into the rent setting report, which will be presented to the Housing Advisory Forum on 13th January 2010 and Cabinet on 10th February 2010.
- 2.31 The outcome from the final HRA Subsidy Determinations for 2010/11 will be factored into the HRA Budget for 2010/11, which will be presented to full Council on 22nd February 2009.

Budget Consultation

- 2.32 The Budget Scrutiny Task Group recommended that a light-touch approach be taken to the first stage of consultation in most years reflecting the level of information that has been gathered in such exercises in the recent past. Therefore the first stage Budget consultation for 2010/11 was dealt with as part of the Place Survey. Following the Draft Budget proposals being agreed by Cabinet, a consultation process will commence to canvass the views of stakeholders. Feedback from this process will then be reflected in the final Budget recommended by Cabinet to Council at its meeting on 11th February 2009.

Next Steps

- 2.33 The timetable for the approval of the 2010/11 Budget is as follows:

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Cabinet agree proposals as a basis for consultation	9 th December 2009
Consultation Period	10 th December – 31 st January 2010
Cabinet considers feedback from consultation exercise and Scrutiny and recommends a Budget	10 th February 2010
Council approves Budget and sets Council Tax.	22 nd February 2010

Alternative Options

- Cabinet could amend the proposals set out in the report.

Risk Management

Financial and Procurement Implications

- The financial implications are contained in the body of the report and appendices.

Legal / Human Rights Implications

- The detailed implications of each proposal have been discussed at Cabinet / Corporate Board and Financial Planning Advisory Group (FPAG). The consultation period that commences after this meeting will give Members, residents, stakeholders and trade unions the opportunity to give their feedback on the proposals and their likely implications.

Links to Corporate Plans and Policies (in particular to Swindon 2010 Promises)

- The Corporate Plan and Swindon 2010 aim to ensure more efficient use of resources across the Council and to ensure resource allocation is based on Council priorities. The Budget proposals set out in this report, and in particular the identification of efficiency savings, contribute to the achievement of these objectives.
- The medium term strategy addresses financial and service planning issues for the four years through to 2014. The aim is to ensure there is financial capacity to deliver Destination Swindon, protect statutory services and provide for full recovery.
- The proposals set out in the appendices are being put forward in the context of updating the medium term strategy for the Council.

Consultees

- The Director of Finance (Section 151 Officer) and Director of Law and Democratic Services (Monitoring Officer) are consulted in respect of all reports.

Background Papers and Appendices

Appendices

- Appendix 1 – Summary General Fund Revenue Proposals 2010/11

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- Appendix 2 – Detailed General Fund Revenue Proposals 2010/11 – 2011/12 by Group
- Appendix 3 – Schedule of Proposed Fees and Charges 2010/11

Background Papers

- The Comprehensive Spending Review (CSR)
- Budget Strategy 2010/11 report presented to Special Cabinet on 18th November 2009

Key Decision / Decision in Forward Plan

- This item is a key decision and is included in the Cabinet Forward Plan for December 2009.

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