

Draft Revenue 2009/10 Budget and Analysis

The Status of the Budget

- 1.1 This second draft of the budget presented to the Executive has been subject to scrutiny of revenue, capital bids and efficiency savings by the Resources and Performance Scrutiny Board at their meeting on 9th December 2008. The comments from that meeting are contained in Appendix 4.
- 1.2 The final allocation of central Government Grant has been confirmed and has remained as per the three year settlement. The amount available for distribution from the Collection Fund will be confirmed later in the process and expected further announcements in relation to inflation and interest rates will also be considered.
- 1.3 The draft budget will be presented to the Executive again on February 2nd 2009 with detailed analysis of expenditure by Directorate and service before approval by Council on February 23rd 2009.

Economic Climate

- 1.4 Since the last report on December 1st 2008 the Bank of England's has continued to cut interest rates in a bid to stimulate consumer spending. The current base rate is now 2% with further announcements expected on 8th January 2009.
- 1.5 Consumer Prices Index (CPI) annual inflation – the Government's target measure – was 4.1 per cent in November, down from 4.5 per cent in October with RPI now running at 3.0%. Adjustments to the budget in relation to the RPI reduction have been built into the analysis.
- 1.6 These rates are expected to fall again on 20th January 2009 and the budget will be updated accordingly.
- 1.7 Butlers, the Council's Treasury Management Advisors, are currently of the view that the Bank Rate may decrease by a further 1% to 1% by the end of the current financial year. They have forecasted the following rates for the next 3 years : 2010/11 – 2%, 2011/12 – 2.8%, 2012/2013 – 4% and 2013/14 – 4%
- 1.8 The planned reduction in interest rates along with the expenditure of the capital programme will result in significant reduction in investment income for 2009/10.
- 1.9 This downturn in the economy has given rise to a number of unanticipated budget pressures. One of the most immediate impacts of the credit crunch in Cherwell, like elsewhere, is the housing market slowing rapidly. This has seen a reduction in the current year of planning and land charge income. In addition we face significantly increased fuel costs on expiry of the current contracted rates. There is also rising pressure on a number of Council services, notably benefits and a rise in homelessness will be expected. These assumptions have been continued into the draft budget.

General Fund Revenue Budget

- 1.9 The draft General Fund Revenue budget is shown in Table 1. The draft budget presented illustrates significant progress in securing further efficiency savings to substantially reduce the funding gap identified in the previous draft from circa £0.7million to around £40k with minimum impact on services.

	Outturn 2007/08	Budget 2008-09	Projection 2008-09	Budget 2009-10 Draft 1	Budget 2009-10 Draft 2
SERVICE EXPENDITURE					
Services Sub-Total	26,143,031	22,325,765	22,893,373	22,453,581	22,494,476
Capital Charges Reversed	(2,504,576)	(1,228,310)	(1,228,310)	(1,274,986)	(2,446,965)
Net Expenditure Services increase/(decrease)	23,638,455	21,097,455	21,665,063	21,178,595	20,047,511
		-11%	3%	-2%	
Reserves and Provisions	111,543	82,428	(160,572)	(251,943)	(320,344)
	23,749,998	21,179,883	21,504,491	20,926,652	20,926,652
Investment Income	(6,892,106)	(5,030,455)	(4,939,455)	(3,155,973)	(2,774,248)
Government Grant	(9,947,783)	(10,310,045)	(10,310,045)	(10,610,610)	(10,637,130)
Collection Fund	(195,652)	(101,591)	(101,591)	(101,591)	(101,591)
Council Tax	(5,807,252)	(5,961,360)	(5,961,360)	(6,323,811)	(6,170,483)
	(22,842,793)	(21,403,451)	(21,312,451)	(20,191,985)	(20,600,479)
Potential (Surplus)/Shortfall	907,205	(223,568)	192,040	734,667	43,715
COUNCIL TAX					
Relevant Tax Base	49,214	49,678	49,678	50,672	49,923
Council Tax Rate for Band "D"	£118.00	£120.00	£120.00	£124.80	£123.60
Council Tax Collection	5,807,252	5,961,360	5,961,360	6,323,811	6,170,483

- 1.10 The reduction of the deficit of £690,952 can be analysed as :

Driver	£,000
Reduction in investment income due to rates and balances	381,725
Reduction in Council Tax Income – tax base and RPI changes	153,328
Additional Concessionary Fare	120,000
Fees and Charges	(448,500)
Increased recycling gate Fees	80,000
Inflation reduction – 3.8% to 2%	(124,836)
Low Priority Areas – Action Plan to reduce expenditure	(278,000)
New efficiencies identified	(424,669)
Total	(690,952)

1.11 The additional efficiency savings can be analysed as :

Category	£,000
VFM Reviews	(28,693)
Efficiencies	(74,500)
Budget Adjustments	(21,239)
Further procurement savings	(82,500)
Service Impact	(15,000)
Staffing Adjustments – freeze on additional vacant post	(202,739)
Total	(424,669)

1.12 The value of planned efficiency savings included in this budget now totals £1,681,791.

Actions to address budget deficit

1.13 In order to balance the budget a further reduction in costs or increase in income of £43,715 is required.

1.14 The following actions have been identified for the Executive to consider in order to minimise the budget deficit at this stage:

Deficit to Budget Draft 1	£734,667	Comments
Actions identified from Dec 1st	£690,952	Comments
Deficit to Budget Draft 2	£43,715	Comments
Potential Areas to consider		
Inflation and Interest Rate Changes		Announcements due 8 th and 20 th Jan 09 – potential impact on both costs and council tax setting
Capital Programme Review		Each £1m of capital spend has a minimum revenue opportunity cost of £20,000
Low Priority Services – Action Plan		Agree action plans
Review of Reserves		General review and use of reserves

Medium Term Financial Strategy 2009/10 – 2013/14

1.15 The current economic climate presents unprecedented challenges in meeting spending priorities without placing undue burden on local taxpayers. The Council's successful approach to improving value for money and securing efficiencies on an ongoing basis provides the foundation for further significant cost reductions in the coming year, over and above contributions secured to date in excess of £2.8million.

- 1.16 Our Medium Term Financial Strategy, accommodating government targets requires ongoing efficiency savings and we have a NI target of 3.1% in 2009/2010. The draft budget presented includes a significant level of qualifying efficiencies which will be collated and reported to the February Executive meeting. From a budgetary point of view only cashable savings are relevant since non-cashable savings do not reduce the overall cost to the Council. The MTFS requirement to secure the stated efficiencies limits our ability to reinvest the savings secured, unless we adopt a longer term view on a “spend to save” basis. Therefore, ongoing identification of efficiency savings must continue to be treated as a highest priority.
- 1.17 The Medium Term Financial Strategy has been updated in light of the last 2008/09 revenue projection and as part of the 2009/10 budget work. All significant expenditure and efficiency savings to date have been included as well as the impact of the capital programme included in Appendix 2. The draft forecast at present shows a shortfall of £1.8m of which £1.6m can be attributed to the reduction of investment income from 2009/10 to 2010/11.
- 1.18 The Council’s systematic approach to reducing the dependency on investment income has been successful to date; between financial years 2007/08 and financial years 10/11 actions taken have improved our position by some 50%, reducing annual revenue dependency on interest rate contributions from circa £6m to circa £3m. This has been achieved alongside the delivery of an ambitious capital programme and the successful delivery of the council’s priorities. The result of these actions to date has secured considerable protection from the full force of the interest rate deterioration. In the coming year we must continue our focus and give consideration to “fast-tracking” our planned strategy in order to secure a sustainable financial future and continue to have the available resources to meet the priorities of our community.

	Draft Budget 2009-10	FC 2010- 11	FC 2011- 12	FC 2012- 13	FC 2013- 14
Service Expenditure	22,494,476	22,899,377	23,357,364	23,847,869	24,348,674
Capital Charges Reversed	(2,446,965)	(2,491,010)	(2,540,831)	(2,594,188)	(2,648,666)
Net Expenditure Services	20,047,511	20,408,366	20,816,534	21,253,681	21,700,008
Investment Income	(2,774,248)	(1,153,661)	(1,316,081)	(1,684,580)	(1,504,580)
Potential (Surplus)/Shortfall	43,715	1,799,528	1,720,008	1,238,350	1,451,119
Govt Efficiency Target (3.1%) : to be identified Use of Reserves to be agreed	included above	(632,659)	(645,313)	(658,864)	(672,700)
Projected Shortfall	43,715	1,166,869	1,074,695	579,486	778,419

Further Document Information

Appendix No	Title
Appendix 3	Medium Term Financial Strategy

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