

Revenue 2009/10 Budget Proposal and Analysis

The Status of the Budget

- 1.1 This third draft of the budget presented to the Executive has been subject to further validation of revenue, capital bids and efficiency savings.
- 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 was prepared by the statutory deadline of 15th January 2009 has been confirmed that our share of the surplus equates to £108,318.
- 1.3 Since the last report on January 12th 2009 the Bank of England's has continued to cut interest rates in a bid to stimulate consumer spending. The current base rate was reduced by a further 0.5% on 8th January 2009 to 1.5%.
- 1.4 Consumer Prices Index (CPI) annual inflation – the Government's target measure was 3.1 per cent in December, down from 4.1 per cent in November. Overall the reduction in the rate of VAT made the largest contribution to the 1.0 percentage point change in the CPI annual rate. There were also effects from a fall in the prices of petrol and diesel and from greater discounting in sales than last year. RPI inflation slowed to 0.9 per cent in December, down from 3.0 per cent in November. This is the biggest monthly reduction since 1980. The main factors affecting the CPI also affected the RPI along with large downward contributions from mortgage interest payments and house depreciation.
- 1.5 The draft budget has taken the RPI as at November 2008 of 3%. In line with budget guidelines has provided for inflation on salaries at 3% and all other expenditure and income at 1% below this RPI rate at 2% unless other contractual arrangements are in place.

Economic Climate

- 1.6 Butlers, the Council's Treasury Management Advisors, are currently of the view that the Bank Rate may decrease by a further 0.5% to 1% by the end of the current financial year. They have forecasted the following average rates for the next 3 years : 2010/11 – 2%, 2011/12 – 2.8%, 2012/2013 – 4% and 2013/14 – 4%
- 1.7 The planned reduction in interest rates along with the expenditure of the capital programme has resulted in significant reduction in investment income for 2009/10 amounting to £2.2m.
- 1.8 This downturn in the economy has given rise to a number of unanticipated budget pressures. 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 and a risk provision has been created to mitigate the impact of these unknown factors.

General Fund Revenue Budget

1.9 The General Fund Revenue budget is shown in Table 1.

SERVICE EXPENDITURE	Outturn 2007/08	Budget 2008-09	Projection 2008-09	Budget 2009-10 Draft 1	Budget 2009-10 Draft 2	Budget 2009-10 Proposal
Services Sub-Total	26,143,031	22,325,765	22,893,373	22,453,581	22,494,476	22,404,002
Capital Charges Reversed	(2,504,576)	(1,228,310)	(1,228,310)	(1,274,986)	(2,446,965)	(2,446,965)
Net Expenditure Services	23,638,455	21,097,455	21,665,063	21,178,595	20,047,511	19,957,037
Decrease on 07/08						-16%
Decrease on 08/09						-6%
Reserves and Provisions	111,543	82,428	(160,572)	(251,943)	(320,344)	(220,473)
	23,749,998	21,179,883	21,504,491	20,926,652	20,926,652	19,736,564
Investment Income	(6,892,106)	(5,030,455)	(4,939,455)	(3,155,973)	(2,774,248)	(2,825,631)
Government Grant	(9,947,783)	(10,310,045)	(10,310,045)	(10,610,610)	(10,637,130)	(10,637,130)
Collection Fund	(195,652)	(101,591)	(101,591)	(101,591)	(101,591)	(108,313)
Council Tax	(5,807,252)	(5,961,360)	(5,961,360)	(6,323,811)	(6,170,483)	(6,165,491)
	(22,842,793)	(21,403,451)	(21,312,451)	(20,191,985)	(20,600,479)	(19,736,565)
Potential (Surplus)/Shortfall	907,205	(223,568)	192,040	734,667	43,715	0
COUNCIL TAX						
Relevant Tax Base	49,214	49,678	49,678	50,672	49,923	49,923
Council Tax Rate for Band "D"	£118.00	£120.00	£120.00	£124.80	£123.60	£123.50
Council Tax Collection	5,807,252	5,961,360	5,961,360	6,323,811	6,170,483	6,165,491

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

Exec Draft 2 Deficit	43,715
Lower Priority Saving Increase - £365,000 from £293,000	(72,000)
EAC Review	(62,878)
PHE Review	27,000
CSR Review	18,529
Review of Executive Matters	40,641
Council Tax - inflation cut by 0.1% to 2.9% - £123.50 Band D	4,993
Final Draft	Balanced

1.11 The following actions have been identified for the Executive to approve in relation to achieving the £365,000 savings in 1.10 above.

17% target reduction in Voluntary Sector Grants	-£104,000
Planned 7% reduction in net costs of Health & Recreation	-£136,000
Accommodation / Asset Management	-£100,000
Design & Print Expenditure Efficiencies	-£25,000
	-£365,000

- 1.12 The value of planned efficiency savings included in this budget now totals £2,046,791.

Council Tax

- 1.13 The level of council tax being proposed is £123.50pa at Band D. In line with Council commitment this reflects a below inflation increase equivalent to £3.50 for the 12 month period or 7p per household per week.
- 1.14 This inflationary increase, of 2.9%, is below both the prevailing CPI of 4.1% and the forecast average increase across UK councils expected to be circa 3.5%.

Medium Term Financial Strategy 2009/10 – 2013/14

- 1.15 The Medium Term Financial Strategy presented on 12th January 2009 has been updated in light of the latest 2009/10 revenue budget. 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 an improvement in the shortfall from £1.8m to £1.4m of which £1.7m can be wholly attributed to the reduction of investment income from 2009/10 to 2010/11.
- 1.16 The Council's systematic approach to reducing the dependency on investment income has been successful to date. 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	22,404,002	22,808,388	23,264,555	23,753,111	24,251,926
Capital Charges Reversed	(2,446,965)	(2,491,010)	(2,540,831)	(2,594,188)	(2,648,666)
Net Expenditure Services	19,957,037	20,317,377	20,723,725	21,158,923	21,603,261
Investment Income	(2,825,631)	(1,172,611)	(1,393,439)	(1,846,820)	(1,666,820)
Potential (Surplus)/Shortfall	0	1,440,347	1,397,640	825,982	1,033,525
Govt Efficiency Target (3.1%):	included above	(629,839)	(642,435)	(655,927)	(669,701)
Use of Reserves	0	to be agreed	to be agreed	to be agreed	to be agreed
Projected Shortfall	0	810,508	755,205	170,055	363,824

Summary

- 1.17 This budget will be presented to the Executive on February 2nd 2009 with a recommendation to produce the 2009/10 budget book on the basis of Appendices 1-3 and a recommendation to Council on 23 February 2009 to

adopts the 2009/10 budget (as a key decision) and set council tax accordingly.

Further Document Information

Appendix No	Title
Appendix 3	Medium Term Financial Strategy