

# Appendix 1a

## Draft Revenue 2010/11 Budget and Analysis

### The Status of the Budget

- 1.1 This second draft of the budget presented to the Executive has been subject to a review by the Resources and Performance Scrutiny Board, of the Council's prioritisation matrix, revenue expenditure by service and reviewed the capital bids received as part of the 2010/11 process as reported at their meeting on 1<sup>st</sup> December 2009. The recommendations from their review are contained in Appendix 3.
- 1.2 The final allocation of central Government Grant has been confirmed and has remained as per the three year settlement. The last draft overstated the Revenue Support Grant by £90K due to an incorrect inflation factor being applied. This £90K has been offset by a Tax Base adjustment of £24K and the part utilisation of the funding risk contingency.
- 1.3 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.
- 1.4 The draft budget will be presented to the Executive again on February 1<sup>st</sup> 2010 with detailed analysis of expenditure by Directorate and service before approval by Council on February 22<sup>nd</sup> 2010.
- 1.5 The impact of the economic situation will continue to be reviewed in relation to the 2010/11 budget and a review of inflation and interest rates will be conducted in relation to our risk review.
- 1.6 A further reduction in investment income is included within this draft. We met with our fund managers recently and although interest rates are expected to increase during the latter part of 2010/11 a prudent assumption has been taken for the initial 6 months. The amount of interest is also impacted by the size of the capital programme so a further review of investment income will be included within draft 3.
- 1.7 Investment return on the funds from Icelandic bank Glitner has not been built into the investment returns. The winding up board of the bank has not accepted the claim as a priority creditor and as such any unsecured claim might only return 25% of the principle.
- 1.8 The LGA represented by Stephen Jones, Director of Finance and Performance, attended the Glitnir creditors meeting in Iceland last week. At the meeting, which was constructive, the Glitnir winding up board acknowledged the objections lodged on behalf of local authorities to the decision to refuse priority status.
- 1.9 Local authorities' objections will now be considered under the processes followed under Icelandic insolvency law, and court action will be taken as necessary.
- 1.10 The LGA is confident that local authorities' priority status as depositors will in due course be secured.

### 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 £349,623 to £32,659 with minimum

impact on services.

<b>SERVICE EXPENDITURE - excluding support allocation</b>	<b>Outturn 2008/09</b>	<b>Budget 2009/10</b>	<b>Projection 2009/10</b>	<b>Budget Draft 1 2010/11</b>	<b>Budget Draft 2 2010/11</b>
Customer Services & Resources		£6,511,867	£6,339,702	£5,906,543	£5,842,723
Environment & Community Improvement		£9,425,613	£9,538,086	£9,313,786	£9,060,830
Planning, Housing & Economy		£343,463	£343,463	£162,889	£150,660
Chief Executives		£2,889,698	£2,589,698	£2,396,999	£2,295,798
		£3,801,789	£3,760,590	£3,175,228	£3,170,521
<b>Services Sub-Total</b>	<b>£23,450,526</b>	<b>£22,972,430</b>	<b>£22,571,539</b>	<b>£20,955,445</b>	<b>£20,520,532</b>
Capital Charges Reversed	-£2,504,576	-£2,491,010	-£2,491,010	-£2,491,010	-£2,491,010
<b>Net Expenditure Services</b>	<b>£20,945,950</b>	<b>£20,481,420</b>	<b>£20,080,529</b>	<b>£18,464,435</b>	<b>£18,029,522</b>
(% decrease)		2%	2%	8%	11%
<b>Reserves and Provisions</b>	<b>£1,453,387</b>	<b>-£654,556</b>	<b>-£853,665</b>	<b>£811,615</b>	<b>£723,090</b>
	<b>£22,399,337</b>	<b>£19,826,864</b>	<b>£19,226,864</b>	<b>£19,276,050</b>	<b>£18,752,612</b>
<b>Funding</b>					
Investment Income	£5,977,100	£2,915,931	£2,315,931	£1,655,742	£1,582,662
Government Grant	£10,359,016	£10,637,129	£10,637,129	£10,996,881	£10,905,340
Collection Fund	£101,591	£108,313	£108,313	£108,313	£108,313
Council Tax	£5,961,630	£6,165,491	£6,165,491	£6,165,491	£6,188,956
	<b>£22,399,337</b>	<b>£19,826,864</b>	<b>£19,226,864</b>	<b>£18,926,427</b>	<b>£18,785,271</b>
<b>Potential Shortfall</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>	<b>£349,623</b>	<b>-£32,659</b>
<b>COUNCIL TAX</b>					
Relevant Tax Base	49,678	49,923	49,923	49,923	50,113
Council Tax Rate for Band "D"	£120.00	£123.50	£123.50	£123.50	£123.50
<b>Council Tax Collection</b>	<b>£5,961,630</b>	<b>£6,165,491</b>	<b>£6,165,491</b>	<b>£6,165,491</b>	<b>£6,188,956</b>

1.10 The reduction of the deficit of £316,964 can be analysed as :

<b>Driver</b>	<b>£</b>
Reduction in investment income due to rates and balances	£73,080
Increase in Council Tax Income – tax base changes	-£23,465
Correction to Revenue Support Grant (to remove inflationary increase)	£91,541
Reserve Review & Utilisation	-£83,272
Fees and Charges-(Car Parking – Spiceball Sports Centre old )	-£57,000
Expressions of Interest	-£94,975
Reduction in Insurance	-£77,136
Reduction in Training Budget in lieu of planned canteen savings	-£60,000
Additional Efficiency savings	-£85,737
<b>Total</b>	<b>-£316,964</b>

1.11 The additional budget reductions can be analysed as :

Category	£
VFM Reviews	-£77,136
Budget Adjustments	-£59,116
Staffing Adjustments (Expressions of Interest)	-£94,975
Efficiencies	-£85,737
<b>Total</b>	<b>-£316,964</b>

1.12 The total reduction in the 2010/11 budget now equates to £2,711,444. The following table is updated to reflect these additional reductions and their impact on Service Provision:-

Details	Service Impact	No Service Impact	Outsourcing	Total
Draft 1 - Reported 7/12/09	£461,876	£1,511,654	£420,950	<b>£2,394,480</b>
Further Reductions as detailed above		£316,964		<b>£316,964</b>
	<b>£461,876</b>	<b>£1,828,618</b>	<b>£420,950</b>	<b>£2,711,444</b>
	<b>17%</b>	<b>67%</b>	<b>16%</b>	

#### **Actions to address budget deficit**

1.13 In order to balance the budget a further reduction in costs or increase in income of £32,659 is required. The following actions have been identified for the Executive to consider in order to minimise the budget deficit at this stage:

<b>£349,623</b>	<b>DRAFT 1 DEFICIT</b>
<b>£32,659</b>	<b>DRAFT 2 DEFICIT</b>
	<b>AREAS UNDER REVIEW</b>
	REVIEW OF DISCRETIONARY SPEND - 5% TARGET
	EXPRESSIONS OF INTEREST
	REVIEW OF RESERVES
	REVIEW OF INTEREST RATES

#### **Medium Term Financial Strategy 2010/11 – 2013/14**

1.14 The MTFS is refreshed throughout the year and will be updated in line with the final budget for 2010/11 and will be presented as part of the budget booklet. A number of scenarios will be modelled based on the pre-budget report, funding expectations as 2010/11 is the final year of the grant settlement. The concessionary fare travel scheme will also transfer to the County in 2011/12 and this may also have some impact on our revenue support grant.