

## POLICY, FINANCE AND ADMINISTRATION COMMITTEE

26 JANUARY 2011

### REPORT OF HEAD OF CENTRAL SERVICES

#### REVENUE BUDGET 2011/12

#### 1.0 PURPOSE OF REPORT

1.1 To outline the key budget issues that will be going forward to the Council's budget setting meeting on 2 February 2011.

#### 2.0 RECOMMENDATION

2.1 That Members note the proposed list of reductions and enhancements for submission to the Full Council budget meeting on 2 February 2011.

2.2 That Members make recommendations on the level of council taxes to be set for each fund that will result in an overall nil increase.

#### 3.0 KEY ISSUES

##### 3.1 Budget Away Day

3.1.1 A Budget Away Day was held at the on 11 January 2011 with the Corporate Management Team, Heads of Service and Members to discuss the Council's financial position with regard to general and special expenses and to consider the list of proposed enhancements to services and reductions to net expenditure. The action notes of this meeting are attached at Appendix A.

##### 3.2 Revenue Budget 2011/12

###### Enhancements and Disinvestments

3.2.1 As set out in the action notes in Appendix A, a number of service enhancements and budget reductions were recommended to be included in the estimates for general expenses for submission to Full Council and these are set out below:-

Service Enhancements			
Service	Ongoing	£	Details
Administrative Buildings	x	20,000	Costs associated with moving into the new offices not covered by the insurance claim, caused by exceptional inclement weather
IT Services	x	10,300	Project Management Resource to August 2011
IT Services	✓	99,690	Additional IT support (balancing item)
Community Safety	✓	15,000	Community safety initiatives
Public conveniences	✓	17,470	Wilton Road and St Mary's Way attended facilities with 30p charge. Park Lane retained as a non operational asset
<b>Total Enhancements</b>		<b>£162,460</b>	

It was proposed that where those items set out above which are of a non recurring nature these would be funded from the Corporate Priorities Reserve. It was further proposed that the additional IT support enhancement act as the balancing item as figures are refined. These total £30,300. The following service reductions are proposed.

<b>Service Reductions</b>			
<b>Service</b>	<b>Ongoing</b>	<b>£</b>	<b>Details</b>
Local Plans / Development Control	✓	15,290	Planning Policy Officer working across Regulatory Services and Planning Policy
Christmas Lighting	✓	10,000	Reduced Provision
Community Service Grants	✓	3,500	Discontinue funding community events
Community Service Grants	✓	9,330	Discontinue funding Victim support and O & S to review achievement of total saving from other voluntary groups
Wheels to Work	✓	5,000	Reduced provision
Waste Management	✓	15,000	Reduced frequency of street cleaning service
Communities	✓	2,060	Cease funding Rural Housing Enabler
Waste Management	✓	5,200	Reduced number of town centre litter bins
Environmental Maintenance	✓	20,000	Less frequent grass cuts and shrub bed tidying
IT Services	✓	5,000	Remove service from Leicestershire A-Z partnership
Corporate and Democratic core	✓	6,000	Discontinue food provision at meetings
<b>Total Reductions</b>		<b>£96,380</b>	

3.2.2 With regard to the reduction relating to food provisions it has been proposed that the allowance for attendance at planning site visits be reduced to £25 from £30 in order to provide a budget for food provisions to continue at Development Committee.

3.2.3 No proposals were put forward for consideration with regard to special expenses.

3.2.4 There were a number of areas where it was proposed the service level could be reviewed during 2011/12 in order to feed into the 2012/13 budget. In addition the budget consultation exercise also indicated where the public may be willing to reduce service levels should the need arise. This results in the following areas where services could be considered during 2011/12 and these will be considered by Full Council for further review:

- Waste management
- Car parking charges
- Tourism
- Waterfield Leisure Pool

### **Council Tax Freeze Grant**

3.2.4 Members considered the availability for the council tax freeze grant payable by Central Government. This provides funding equivalent to a 2.5% increase in council tax for 2011/12; the funding being provided for four years. In preparing the estimates the grant has been allocated to the various funds in line with the income that would be generated from a 2.5% increase. To qualify for the grant Councils need to have an overall nil increase in council tax which includes all special expenses. Increases will be required for the special expense areas of Sproxton and Broughton & Old Dalby in order to balance these budgets. As a result of the overall calculation, taking into account the increases for the two parishes above a reduction will need to be applied elsewhere in order to have a nil

increase overall and to qualify for the grant. Members at the budget away day have requested that a recommendation be made to Full Council by this committee on where this reduction should be applied. The options and the implications are as follows:

<b>Fund</b>	<b>Band D C. Tax 2010/11 per annum</b>	<b>Band D C. Tax 2011/12 with no reduction per annum</b>	<b>Band D C. Tax 2011/12 with reduction per annum</b>	<b>Impact on Budget of reduction</b>
General Expenses	£150.87	£150.87	£150.48	Deficit increased by £7,351
Special Expenses (MM)	£56.35	£56.35	£55.55	Surplus reduced by £7,351

3.2.5 Members also may wish to consider how this can be explained to and understood by the public when receiving their council tax bills. A reduction to general expenses will obviously benefit all borough residents but will reduce funding available on a budget that will be seeing reductions in service levels in order to result in a balanced budget. With regard to special expenses (MM) a reduction would be consistent with changes being necessary to other special expense areas. This would result in general expenses council tax having a nil increase as a result of the council tax freeze grant and that whilst special expense areas have been allocated a share of that grant, equivalent to a 2.5% increase, adjustments have been made to these areas in order to result in a balanced budget. It should be noted that special expenses (MM) have had no reductions in service levels and will have a surplus on the fund regardless of the two options for council tax levels.

3.2.6 The proposed council tax levels for other special expense funds which result in a balanced budget for 2011/12 are as follows:

<b>Council Tax Area</b>	<b>Band D 2010/11 per annum</b>	<b>Band D 2011/12 per annum</b>	<b>% Change</b>
Special Expenses (Sproxtton No.2 and 4)	£36.90	£45.78	+24.1
Special Expenses (Broughton and Old Dalby)	£5.73	£7.03	+22.8
Special Expenses (Frisby)	£22.00	£21.71	-1.3

### **Overall Budget Position**

3.2.7 Members at the away day considered the latest estimated financial position of all funds for 2010/11 and the potential impact on reserves and balances. The General Expenses working balance is estimated to be £166k below the enhanced level set by this committee of £640k. Members considered that this enhanced level should be retained and that any shortfall at the year end should be restored from the Corporate Priorities Reserve. The Special Expenses Reserve (MM) is estimated to be just under £1k below the approved working balance of £50,000 and it is to be proposed to Full Council that this be restored from the estimated revenue budget surplus in 2011/12.

3.2.8 For general expenses members also considered the level of inflation provided in respect of the waste budget. The contract provides for an annual increase in the contract value in line with Baxter's indices. An increase of 3% was originally provided for in respect of 2011/12. However this was increased to 4% following concerns expressed by members at the Waste Management Task Group. The latest position on these indices is contained in Appendix B. This shows that the change in line with the latest data is a reduction of 0.14%. As such an increase of 4% is considered to be highly prudent and members may wish to consider reducing this back to the 3% original provision. Members at the away day

felt they would like this decision to be made by Full Council as part of the budget setting considerations. This would provide for an additional £21,000.

3.2.9 Members were also updated on the latest financial implications of the restructuring exercise below Head of Service level. At this stage any implications arising from the consultation process need to be considered. In addition the proposals have still to be considered formally by Members. It is anticipated that this will be completed in time to allow a verbal update at the Full Council meeting on 2<sup>nd</sup> February 2011. Based on the proposals consulted on a 10 month saving would have a value of £219,000. This is a gross saving and does not provide for any one off costs. Any pension strain up to a three year limit set by the actuary and the pension fund administrator LCC could be charged to the pension fund. It is suggested this is utilised. Redundancy costs could be met either from in year savings, should any be identified, the Working Balance or the Corporate Priorities Reserve. This can be considered as appropriate at the time formal decisions are taken.

3.2.10 Members views have been sought on including an amount in the estimates for the New Homes Bonus and it was concluded that an amount of £100k be included based on the current consultation exercise which if implemented in its current form would result in a grant of £168k. This amount has been incorporated into the estimates based on this sounding.

3.2.11 Taking the above potential savings, proposed enhancements and disinvestments into account this would result in the following position on general expenses budget based on a nil change to the council tax level. The items relating to waste management indflation and council tax are yet to be resolved.

	<b>£</b>
Estimated Budget Deficit 2011/12	183,220
Restructuring	-219,000
Enhancements	162,460
Reductions	-96,380
Corporate Priorities Reserve	-30,300
<b>Net Budget Surplus(-)/Deficit</b>	<b>£0</b>
Waste Management Inflation	£-21,000
Council Tax Reduction	£7,351

3.2.12 With regard to Special Expenses (MM) the latest position is as follows based on a nil change to the council tax level:

	<b>£</b>
Estimated Budget Surplus 2011/12	-34,540
Restoration of working Balance	834
<b>Net Budget Surplus(-)/Deficit</b>	<b>-33,706</b>
Council Tax Reduction	7,351

3.2.13 The surplus on the special expense (MM) reserve is due to the decision taken when setting the 2010/11 budget to build up the reserve to provide future funding for capital and non recurring revenue schemes.

3.2.14 Members also wished to pursue the option to transfer the responsibility of the management of the Broughton and Old Dalby allotments to the parish council in order to dispense with this special expense area.

3.2.15 Figures will continue to be refined until the Full Council meeting on 2 February 2011 when the full details will be produced for all members consideration along with all relevant supporting information to assist with the decision making process.

#### **4.0 POLICY AND CORPORATE IMPLICATIONS**

4.1 The process followed with regard to the setting of the Council's budget is in line with the Service and Financial Planning timetable. Proposals for enhancements are assessed including their link to the Council's Priorities and Service Plans and other corporate documents.

#### **5.0 FINANCIAL AND OTHER RESOURCE IMPLICATIONS**

5.1 There are no further financial and resource implications other than those already set out above.

#### **6.0 LEGAL IMPLICATIONS/POWERS**

6.1 There are no direct legal implications of this report.

#### **7.0 COMMUNITY SAFETY**

7.1 There are no direct links to community safety although some elements of the budget proposals will relate to community safety issues.

#### **8.0 EQUALITIES**

8.1 The proposals for service disinvestments have been subject to an Equalities Impact Assessment (EIA) as appropriate by the relevant service area in order to determine whether or not any adverse impact could be identified to any particular diversity group. No particular adverse impacts have been identified therefore no further action is necessary should the proposals be approved. Completed EIA's have been attached at Appendix C for member's information.

8.2 Other elements of the budget proposals will relate to equalities issues and these have been equality impact assessed as appropriate by the relevant service area.

#### **9.0 RISKS**

9.1 There is always the risk that an item of income or expenditure is not adequately reflected in the budget for any financial year. The process followed as set out in the Service and Financial Planning Timetable is aimed at mitigating this risk. However, the Council has a working balance which is annually reviewed and calculated on a risk based approach. This working balance is there to provide for any variations in actual against budget that could not have been anticipated at this stage. The detailed calculations are contained in the Council's Medium Term Financial Strategy. Full details of those items of particular risk will be included in the budget report to Full Council on 2 February 2011.

#### **10.0 CLIMATE CHANGE**

10.1 Climate change and our response to this could impact on a number of budgets and this should be considered as part of the service planning process.

#### **11.0 CONSULTATION**

11.1 The Service and Financial Planning Timetable sets out the Council's approach to consultation and its links to the budget setting process. All Heads of Service and Members are involved in the process at various stages.

11.2 Union representatives attended the BSPWG meetings held in November and the budget away day in order to facilitate communication with staff representatives. Staff directly

affected by the disinvestment proposals have been kept informed through their Head of Service of the proposals being considered.

- 11.3 The Town Area Working Group was also consulted on proposals for Special Expenses Melton Mowbray.
- 11.4 Consultation with business ratepayers is being undertaken via the website following positive feedback from last years exercise undertaken via this method.
- 11.5 A wide public consultation exercise has been held this year to help the Council decide where to make the cuts needed. The public's views have been sought on the areas that are important to them. The public have been asked what they would like to us to keep and what they feel could be looked into first to enable us to make any further savings that may be needed. This has been undertaken through the Council's web site and through our user groups, providing copies at the Children's Centres and libraries as well as seeking views from a Councillors' market stall.
- 11.5 The results of the public consultation are attached as Appendix D. The results of the survey are to be made available on the Council's website on 1 March 2011 along with a report back on what was said and how this information was used.

## 12.0 **WARDS AFFECTED**

- 12.1 All wards will be affected

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Contact Officer:	Dawn Garton – Head of Financial Services
Date:	12 January 2011
Appendices:	Appendix A Budget Away Day Notes Appendix B Baxter's Index Appendix C EIA's Appendix D Consultation results
Background Papers:	Medium Term Financial Strategy Budget working papers 2011/12 Budget Away Day Papers
Reference:	X: Committees/PFA/2010-11/26-01-11/DG – Revenue Budget 2011-12