

X/06/10

EXECUTIVE COMMITTEE – 11 JANUARY 2010

2010/11 BUDGET SETTING

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1. Summary/Main Issues

- 1.1 On 2 November 2009, the Executive Committee approved a strategy for drawing up the 2010/11 budget. This report provides an update on progress to date and asks for further “in principle” approval to enable budget work to be completed ahead of final determination by the Executive and Council in February 2010.
- 1.2 If the various savings and growth proposals contained within this report are supported then a balanced budget will be achieved for 2010/11.

2. Financial Implications

- 2.1 Detailed in the report.

3. Legal and Risk Management Issues

- 3.1 It is a legal requirement to set a balanced budget. The risks associated with the 2010/11 budget will be reported in a separate report that the Section 151 Officer has to make before the budget and council tax are agreed for 2010/11. This report will be presented to Executive Committee and Council in February 2010.

4. Consultations

- 4.1 The public has been consulted via the Suffolk Speaks process. The results were reported to Executive Committee on 2 November and are summarised in section 8 of this report. Parish and Town Councils will be notified by email of the proposals for Mid Suffolk’s budget for 2010/11 and given an opportunity to comment.

5. Sustainability

The social, economic and environmental impact has been considered in making this report’s recommendation/s and further evidence of this is available.

6. Recommendations

6.1 The Executive Committee is recommended to:

- a) Note the outcomes from the public consultation as set out in section 8.
- b) Give “in principle” approval to the draft General Fund budget in section 10 of this report, subject to outcomes arising from recommendations c) and d) and subject to final determination by the Executive Committee and Council in February 2010.
- c) Indicate what level of Council Tax increase should be assumed for the purpose of

completing budget calculations ahead of final determination in February 2010.

- d) Approve “in principle” the draft Capital Programme set out in Appendix A to this report.

7. Strategic Plan

- 7.1 The Executive Committee approved the Council’s Strategic Plan 2007-2011 on 23 July 2007. It contains six strategic priorities:
- Affordable & Decent Housing
 - Responsible Environmental Management
 - Safer & Cohesive Communities
 - Jobs & the Rural Economy
 - Responsive Planning
 - Community Engagement
- 7.2 For each priority, a Task Group is operating to develop and oversee the action plans. Current progress against the 2009/10 action plans was presented to Executive Committee on 2 November 2009 and the 2010/11 action plans will be presented at the meeting on March 15 2010.
- 7.3 The final element of funding agreed for the Stowmarket Area Action Plan is contained within the draft budget for 2010/11, to support what is seen as one of the Council’s key strategic priorities. Due to the budget position for 2010/11 it is unlikely that there will be any further ‘growth bids’ funded, so it will be important that the actions outlined in the 2010/11 plans can be completed using existing budgets.
- 7.4 The strategic priorities have been borne in mind whilst considering the proposals put forward to achieve a balanced budget in 2010/11.

8. Public Consultation

Suffolk Speaks

- 8.1 The report to Executive Committee on 2 November 2009 outlined the methodology of this year’s survey and the main findings coming out of the focus groups. In summary, many participants were not averse to an increase in council tax, but that it should be carefully considered during the current economic downturn. In the context of lower household incomes, the Council must be seen to exercise prudence in its activities before raising levels of taxation.
- 8.2 The highest priorities for increasing expenditure were affordable and decent housing and responsible environmental management, whilst improving standards within privately owned homes and improving internet based consultation were seen as areas where cuts could be made. The conclusion drawn by Choose Suffolk was that budget prioritisation decisions should be made in the context of location based requirements, as services that may be ripe for reduction in one area could be a priority elsewhere.

Parish / Town Councils

- 8.3 Following discussion of the budget proposals within this report by Executive Committee, the details will be shared with Parish and Town Councils within the district, so that they have an opportunity to comment before the budget is finalised.

9. General Fund – Available Funding

Local Government Finance Settlement

- 9.1 On 26 November 2009 the Government made an announcement about the provisional local government finance settlement for 2010/11. In essence the announcement confirmed that there was no change from the provisional figures that were published as part of the three year settlement in January 2009. The funding for MSDC for next year is as follows:

	<u>2010/11</u> £m
Settlement	6.290
Increase on prior year	0.5%

- 9.2 This is subject to consultation, confirmation and final determination by Parliament in January 2010. It is possible that the final figures may vary slightly from the above. The draft budget for 2010/11 includes the figures shown in paragraph 9.1 above, so no changes are required at this stage.
- 9.3 2010/11 is the last year of the current three year comprehensive spending review (CSR) and it is unlikely that the Government will make any announcement about the next three year CSR until after the general election. All indications are however that there will be a real terms cut in public sector funding over the next three years, in order to reduce the public sector borrowing requirement, so it is likely that Mid Suffolk's grant will decrease from 2011/12 onwards.

Area Based Grant

- 9.4 The Council has received a provisional allocation from the Area Based Grant (ABG) for 2010/11 of £28,819 in relation to climate change, economic assessment duty and environmental damage regulations. ABG is a non-ring fenced general grant which authorities are free to use to support their priorities as they see fit. The allocation received has been used to reduce the Council's requirement to make further savings to balance the budget for 2010/11.

Collection Fund Balance

- 9.5 The Collection Fund is an account separate from the General Fund, managed by the Council in its capacity as a billing authority for the Council Tax and Non-Domestic Rates. Surpluses and deficits arise on the fund depending upon such factors as collection rates, bad debts and taxbase. Conceptually, the balance on the Collection Fund, if reality matched assumptions perfectly would be nil. Inevitably, surpluses and deficits arise.
- 9.6 The balance on the Collection Fund is shared between Suffolk County Council, Suffolk Police Authority and Mid Suffolk District Council. As at 31 March 2010 the Collection Fund is forecasted to be in deficit and the Council's share of this deficit is £24,000. This deficit reduces the resources available to the Council's General Fund as part of balancing the budget for 2010/11.

Council Tax

- 9.7 On 7 January 2010, the Council will be asked to approve the Council Taxbase, expressed in "Band D equivalents", to be used when setting the 2010/11 Council Tax. At this stage the estimated number is 35,466.02, an increase of 0.7% on the 2009/10 figure.

- 9.8 The 2009/10 Band D Council Tax bill was £147.49. The Government has confirmed that capping will again be an option next year, if council tax rises are seen as excessive and has stated that they expect to see a 16 year low in council tax increases for 2010/11. The average increase in 2009/10 was 3%. The following table illustrates the effect on Council Tax of increases from 0% to 4.5%.

<u>% increase from 2009/10 Council Tax</u>	<u>2009/10 Band D equivalent £</u>	<u>Increase on the 2009/10 Band D Council Tax £</u>	<u>Illustrative Council Tax Yield for 2010/11 £000</u>	<u>Increase on 2009/10 Council Tax yield £000</u>
0%	147.49	0.00	5,231	38
1%	148.96	1.47	5,283	90
2%	150.44	2.95	5,336	143
2.5%	151.18	3.69	5,362	169
3%	151.91	4.42	5,388	195
3.5%	152.65	5.16	5,414	221
4%	153.39	5.90	5,440	247
4.5%	154.13	6.64	5,466	273

- 9.9 Each 1% rise in Council Tax provides additional yield of around £52,000 and adds £1.47 to a Band D Council Tax bill. An increase or decrease in the budget of £10,000 is equivalent to an increase or decrease in Council Tax of 0.2%.

Summary of Funding Available 2010/11

- 9.10 A summary of the available funding is shown below. For illustrative purposes only, two options have been included, based upon council tax rises of 3% (outlined in the budget strategy and included in the draft budget) and 4% (the maximum that may be permissible under the government's capping regime).

	<u>Option A</u> (3% Council Tax rise) £000	<u>Option B</u> (4% Council Tax rise) £000
Finance settlement from government	6,290	6,290
Area Based Grant	29	29
Collection Fund balance	-24	-24
Council Tax	5,388	5,440
Total	11,683	11,735

- 9.11 Members are asked to indicate which option (or another one) should be assumed for the purpose of completing budget calculations ahead of final determination in February. It is anticipated that a council tax increase in the region of 3% would be acceptable under the 2010/11 capping regime. For each 1% set below this level, additional savings of £52,000 would have to be found or the equivalent sum withdrawn from earmarked reserves.

10. General Fund Draft Budget

- 10.1 Detailed work to draw up a draft budget for 2010/11 is substantially complete and is summarised below, with 2009/10 Budget Book figures for comparison. The main assumptions and significant savings and growth items included in the draft budget are set out in sections below. This year Management Board has undertaken a detailed review of each service area, with the relevant Head of Service, to challenge and query their budget proposals for next year before presentation to Executive Committee.

<u>Service Area</u>	<u>2009/10</u> £000	<u>2010/11</u> £000
Building Control	28	44
Contracts & Property	3,803	3,736
Cultural & Community	1,899	1,753
Democratic & Legal	1,201	1,035
Environmental Health	745	735
Housing Services (GF)	423	388
Management Board & Corporate Items	717	587
Organisational Development	995	809
Performance and Audit	707	710
Planning Control	48	501
Waste & Environmental	1,728	1,447
Sub total – Direct Expenditure on Services	12,294	11,745
Transfers to HRA	(933)	(998)
Capital Financing & Investment Income (net)	922	1,097
Transfers to Reserves	134	35
Transfers from Reserves	(969)	(196)
NET BUDGET REQUIREMENT	11,448	11,683

- 10.2 Following approval of the budget strategy by Executive Committee on 2 November 2009, Management Board gave each Head of Service a savings target in order to achieve £0.5m required overall. Further efficiency savings have been found as part of the budget-setting process for 2010/11, but it is not possible to achieve a balanced budget by this means alone. Proposals have therefore been put forward by Heads of Service to either generate additional income or reduce activity in some areas. These are set out in more detail below. With the current state of public sector finances nationally, it is likely that further service reductions will be required in future years in order to maintain a balanced budget.

- 10.3 Transfers to and from reserves are shown below.

	£000	£000
<u>Transfers to Reserves</u>		
Planning Enforcement	20	
District Election	15	
		35
<u>Transfers from Reserves</u>		
Repairs & Renewals	82	
Strategic Priorities	114	
		196

- 10.4 The budget strategy for 2010/11 has a reduced reliance on withdrawing from earmarked reserves to achieve a balanced budget compared with 2009/10. The table below shows the anticipated balance on earmarked reserves at the end of 2010/11 following the planned contributions and withdrawals. In addition to this there will be £1m in the contingency reserve.

	£000
Estimated balance of earmarked reserves as at 1 April 2010	987
Planned additions to earmarked reserves in 2010/11	35
Planned withdrawals from earmarked reserves in 2010/11	(196)
Estimated balance of earmarked reserves as at 31 March 2011	826

- 10.5 The following table shows the movement from the 2009/10 base budget (as revised April 2009) to the 2010/11 draft budget.

	£000	£000
2009/10 Base Budget (Revised April 2009)		11,448
<u>Growth: Economic Conditions</u>		
Planning, building control and land search fee income	91	
Benefits, council tax and NNDR budgets	47	
	<hr/>	138
<u>Growth: Other Items</u>		
Housing & Planning Delivery Grant	300	
Capital financing costs	175	
Wingfield Barns Subsidy	25	
	<hr/>	500
<u>Savings: Additional Income</u>		
Car Park charges	(117)	
New charges	(23)	
Other Income	(64)	
	<hr/>	(204)
<u>Savings: Other Items</u>		
Pay budgets	(181)	
Removal of one-off addition to Waste budget 2009/10	(130)	
Various support costs to run services	(216)	
Thornham Walks	(38)	
Sports Development	(25)	
Key Card	(20)	
Waste Services	(41)	
Grants (to and from MSDC)	(38)	
	<hr/>	(689)
Change in the use of reserves		473
Change in transfers to the HRA		(66)
Pay and contractual price inflation		115
ZBB adjustments (net)		(32)
		<hr/>
2010/11 Draft Budget		11,683

Main Assumptions behind the 2010/11 Draft Budget

- 10.6 It has been estimated that the Council's General Fund will receive £200,000 from the national allocation for the Housing Planning Delivery Grant in 2010/11. This estimated figure is much lower than the provisional figure notified for 2009/10 because we will only be rewarded once for completing our core strategy under the Local Development Framework.
- 10.7 The draft 2010/11 budget assumes a council tax increase of 3%. The table in paragraph 9.8 above shows that this would be an annual increase of £4.42 for a Band D property in Mid Suffolk.
- 10.8 There is currently minimal reliance on reserves to fund on-going expenditure in the 2010/11 draft budget, with the aim of eliminating this entirely before the final budget is presented to Executive Committee and Council in February 2010.
- 10.9 Considering the continuing uncertain economic climate, realistic income levels have been set with the Heads of Service for planning, building control and Section 106 compliance fees, land search fees and pest control fees.
- 10.10 Allowance has been made within the 2010/11 budget for a nationally negotiated pay award of 1%. Members have already agreed to a further freeze in their allowances from April 2010, which is also reflected in the draft budget.
- 10.11 The draft budget does not include any additional income or expenditure relating to Snoasis.
- 10.12 It is likely that some redundancy costs will occur as a consequence of some of the savings proposals (see below), but these have not been estimated or included within the draft budget at this stage.
- 10.13 The Council may receive additional funding from the Local Authorities Business Growth Incentive Grant (LABGI) for 2010/11. There has been no announcement yet on this grant for 2010/11, so there is nothing in the budget at this stage. £37,308 was received in 2009/10. Any allocation received during 2010/11 will either be used to offset any in year budget pressures or to make a contribution to earmarked reserves.

Significant Savings and Growth Items within the 2010/11 Draft Budget

Savings

- 10.14 There is a separate report on today's agenda recommending changes to car park charges, following the recent consultation exercise. The impact of the recommendations contained within that report is that an additional £117,000 has been included in the 2010/11 budget for car park income.
- 10.15 There will be no contribution to the Repairs and Renewals Reserve in 2010/11 (normally £75,000). A review of the use of the reserve over the next 15 years has been undertaken. The outcome of this is that a one year 'holiday' can be taken from contributing to the reserve without any adverse impact on the future programme of repairs and renewals.
- 10.16 The proposed closure of Thornham Walks from April 2010, which would generate a saving of £38,000 per annum. There is likely to be some redundancy costs associated with this proposal.
- 10.17 One of the two Sports Development Officers has recently handed in their notice, so it is proposed that a future service is provided within the budget for one officer, generating a saving of £25,000 per annum.

- 10.18 It is proposed that the Key Card scheme is ceased from April 2010 with an annual saving of £20,000. This scheme is currently run under contract by Smart Angles.
- 10.19 All Heads of Service have reviewed their salaries, training and staff related travel budgets, in order to make efficiency savings, without impacting upon the level of service provided to our customers. This review has generated savings totalling £181,000. Within this figure there is a proposal to reduce the opening hours of the Tourist Information Centre in Stowmarket between October and March each year.
- 10.20 A number of adjustments have been made to the waste part of the Waste and Environmental Services budget resulting in an overall saving of £41,000 in this area.
- 10.21 As part of the process to achieve a balanced budget for 2010/11, income budgets have been reviewed to maximise current charges and it is also proposed to introduce some new charges from April 2010. The new charges and the anticipated level of income to be raised are as follows:
- £100 for street naming and numbering (£12,000)
 - Charging for copies of planning and building control documents (£10,000)
 - £10 for replacement of lost bus passes (£1,300)
- 10.22 The Administration has proposed a further reduction of £5,000 to the Member development budget to leave a budget of £5,000 for 2010/11.
- 10.23 Part of the proposed savings from Cultural and Community Services is to reduce some of the grant budgets. The budgets to be reduced are £4,000 from the arts programme, £6,000 for the Suffolk Rural Partnership, £2,000 from discretionary grants and £15,000 from the general fund. The latter has been identified to support the subsidy for Wingfield Barns, as outlined in paragraph 10.25.
- 10.24 A number of smaller savings identified by Heads of Service have been amalgamated under the heading of 'Various support costs to run services' in the table in paragraph 10.5 above. These include savings on office costs e.g. printing, stationery and books plus insurance, advertising, consultants and professional fees, equipment purchase, repair and maintenance, building and plant and vehicle related costs and NPS fees.

Growth

- 10.25 The 2010/11 draft budget contains a subsidy of £25,000 for Wingfield Barns, as discussed with Executive Committee at its meeting on 30 November 2009.
- 10.26 The draft budget for 2010/11 includes an unavoidable increase in costs of £47,000 for benefits, council tax and non-domestic rates. This reflects the increased numbers seeking benefits and discretionary rate relief during the recession. These result in additional costs to the Council that are not funded by the subsidy system.
- 10.27 As outlined in paragraph 10.6 above it is assumed that £200,000 will be received from the Housing Planning Delivery Grant. This is a decrease in grant income of £300,000 compared with the 2009/10 budget.

Summary

- 10.28 The draft budget as set out in paragraph 10.1 includes the various proposals for savings and growth as outlined in this report. If these proposals are supported then a balanced budget at £11,683,000 can be achieved. This is the level of funding available to the Council in 2010/11, if Council Tax is increased by 3% (see paragraph 9.10 Option A).

11. Housing Revenue Account (HRA)

11.1 Work is in progress to prepare the HRA budget for 2010/11 and will be presented to Executive Committee on 15 February 2010. A report asking Members to approve HRA rents and charges was submitted to the Council meeting on 7 January 2010.

12. Capital Programme

12.1 Work has been undertaken to draw up a Capital Programme for the five year period commencing 2010/11. The draft programme is attached at Appendix A. As in previous years, the Decent Homes element of the programme is to be approved on a rolling five year basis, other items for one year only with future items included for illustrative purposes.

Katherine Steel
Chief Financial Officer

Background Documents: Executive Committee 2 November 2009 report X/100/09
Medium Term Financial Strategy
Suffolk Speaks Report
Budget Estimate Working Papers

APPENDIX A

Please note: As in previous years, the Decent Homes element of the programme is to be approved on a rolling 5 year basis, other items for 1 year only with future items included for illustrative purposes.

Draft Capital Programme 2010/11 to 2014/15

Strategic Priority	2010/11 Budget Forecast £,000	2011/12 Budget Forecast £,000	2012/13 Budget Forecast £,000	2013/14 Budget Forecast £,000	2014/15 Budget Forecast £,000	
Housing Revenue Account						
Housing Maintenance						
Mid Suffolk Decent Homes Standard	Affordable and Decent Housing	10,000	5,000	5,000	5,000	5,000
Vehicle Replacement	Affordable and Decent Housing	-	-	-	434	-
Disabled Facilities Work	Affordable and Decent Housing	250	250	250	250	250
General Fund						
Housing						
Mandatory Disabled Facilities Grant	Affordable and Decent Housing	288	288	288	288	288
Discretionary Housing Grants	Affordable and Decent Housing	250	250	250	250	250
Empty Homes Grants	Affordable and Decent Housing	100	-	-	-	-
Grants for Affordable Housing	Affordable and Decent Housing	250	250	250	250	250
Waste and Environmental Services						
Replacement Refuse Freighters - Joint Scheme	Responsible Environmental Management	-	276	137	-	-
Vehicle and Plant Renewals	Responsible Environmental Management	91	81	171	27	267
Bins	Responsible Environmental Management	198	-	-	-	-
Car Parks - Vehicles and Equipment	Responsible Environmental Management	-	-	15	72	-
Cultural and Community Services						
MSLC - Misc Capital Schemes	Safer & Cohesive Communities	-	-	-	-	20
Needham Lake Car Park	Safer & Cohesive Communities	20	-	-	-	-
Needham Lake Footpaths	Safer & Cohesive Communities	-	30	-	-	-
Countryside - Mill Meadow Car Park	Responsible Environmental Management	-	-	10	-	-
Countryside - R Replacement Vehicles	Responsible Environmental Management	-	-	16	-	-
Countryside - Mill Meadow Playground Equipment	Responsible Environmental Management	-	-	-	18	-
Countryside - Pike's Meadow Tarmac Path	Responsible Environmental Management	-	-	-	10	-
Countryside - Pike's Meadow Boardwalk	Responsible Environmental Management	-	-	-	20	-
Community Fund projects - Grants	Jobs and the Rural Economy	270	270	270	270	270
Stowmarket Regeneration	Jobs and the Rural Economy	100	100	100	-	-
Contracts and Property						
Needham Offices – Replacement Telephone System	All	-	-	-	-	250
Needham Market - Equipment Renewals	All	-	107	-	-	75
Needham Market - Guttering	All	10	-	-	-	-
Needham Market - Power Supply	All	25	-	-	-	-
Environmental Health						
Vehicle and Equipment Renewals		-	-	-	-	54
Total		11,852	6,902	6,757	6,889	6,974
Financed by:						
External Grants and Contributions		2,277	2,177	2,177	2,177	2,177
Borrowing - Supported		500	500	500	500	500
Capital Receipts		250	1,439	1,176	250	250
Borrowing - Unsupported		8,825	2,786	2,904	3,962	4,047
Total		11,852	6,902	6,757	6,889	6,974

All figures are estimated and provisional