

AGENDA MANAGEMENT SHEET

Name of Committee

Cabinet

Date of Committee

28 January 2010

Report Title

2010/11 Budget - An Update

Summary

The report provides Cabinet with the latest information to be used as a basis of setting the 2010/11 budget. This includes the latest resource position and the risk assessment on the level of reserves. It also provides the opportunity for the Cabinet to outline their final 2010/11 Budget and Medium Term Financial Plan proposals in advance of setting the 2010/11 Budget at Council on 9 February 2010.

For further information please contact:

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Would the recommended decision be contrary to the Budget and Policy Framework?

No.

Background papers

The provisional 2010/11 budget and MTFP proposal, agreed by Cabinet at their meeting on 10 December 2009.

CONSULTATION ALREADY UNDERTAKEN:

Details to be specified

Other Committees

.....

Local Member(s)

.....

Other Elected Members

Cllr Tandy, Cllr Roodhouse, Cllr Appleton, Cllr Gittus, Cllr Davis, Cllr Moss

Cabinet Member

Cllr Farnell, Cllr Heatley

Chief Executive

.....

Legal

Sarah Duxbury

Finance

David Clarke - reporting officer

Other Chief Officers

.....

- District Councils
- Health Authority
- Police
- Other Bodies/Individuals

FINAL DECISION NO

SUGGESTED NEXT STEPS:

Details to be specified

- Further consideration by this Committee
- To Council The 2010/11 Budget and council tax will be agreed at the Council meeting on 9 February 2010.
- To Cabinet
- To an O & S Committee
- To an Area Committee
- Further Consultation

Cabinet - 28 January 2010

2010/11 Budget - An Update

Report of the Strategic Director, Resources

Recommendations

- (1) That Cabinet notes the latest resource information and the additional resources identified as outlined in paragraphs 3.3 and 6.1 of the report.
- (2) That Cabinet notes the Strategic Director, Resources' risk assessment on the level of general reserves.
- (3) That Cabinet agrees, in light of the information provided, its formal 2010/11 budget and medium term financial plan resolutions for recommendation to Council on 9 February 2010.

1 Introduction and Background

- 1.1 At the Cabinet meeting on 10 December 2009 SDLT presented a report outlining their 2010/11 budget suggestions to Cabinet. Taking into account the recommendations from SDLT, Cabinet agreed their provisional 2010/11 revenue and capital budget resolutions to form the basis of discussions and for recommendation on to Council as part of the formal budget-setting meeting in February.
- 1.2 The spending proposals issued by Cabinet on 10 December 2009 were based on the best information available at the time they were prepared. There were still a number of areas where final information was either not yet known or was to be updated in January. These were:
 - ◆ The final RSG Settlement.
 - ◆ The council tax taxbase for 2010/11.
 - ◆ The surplus/deficit on council tax collection from 2009/10.
 - ◆ The final allocation of 2010/11 Area Based Grant.
 - ◆ The impact of the Strategic Director, Resources reserves risk assessment.
- 1.3 This report updates members on the latest available information with each of these dealt with in more detail in the sections below. In doing so it also provides Cabinet with the opportunity to issue their final 2010/11 revenue and capital budget resolutions.
- 1.4 However, in some cases final information was not available at the time of preparing the report circulated as part of the Cabinet agenda. The final budget proposals to be presented to Council on 9 February 2010 will need to incorporate this information. This will be included in the updated report tabled at the meeting on 28 January 2010.

2 The Final RSG Settlement

- 2.1 The final RSG Settlement for 2010/11 is due to be announced in mid-January. At the time of writing there are no indications that any changes between the provisional and final settlements will be implemented. Indeed the provisional formula grant figure, of £92.092 million announced in December was the same as the indicative figure announced in January 2009. As a result it is felt that the £92.092 million formula grant figure included in the Cabinet's December proposals is reasonable to be used as a basis for planning. Any variation between this and the final figure is expected to be minimal.

3 Council Tax Taxbase

- 3.1 The taxbase we must use when setting the council tax is the level notified to us by the district and borough councils in Warwickshire. For 2010/11 the taxbase is 199,564 Band D equivalent properties, an increase of 0.5% from the 2009/10 taxbase. The breakdown across the districts is shown in the table below.

	2009/10 Taxbase Band D properties	2010/11 Taxbase Band D properties	Variation Band D properties	Variation %
North Warwickshire	21,172	21,217	+45	+0.2%
Nuneaton and Bedworth	38,831	38,905	+74	+0.2%
Rugby	34,887	35,176	+289	+0.8%
Stratford-on-Avon	51,330	51,634	+304	+0.6%
Warwick	52,294	52,632	+338	+0.6%
Total	198,514	199,564	+1,050	+0.5%

- 3.2 For planning purposes, for 2010/11, we had been using a standstill taxbase to reflect the expected impact of the recession and the downturn in the housing market on the number of new properties in Warwickshire. The actual taxbase figure of 199,564 Band D equivalent properties is higher than this. **The impact of this increase in the taxbase is additional resources of £1.185 million or a 0.5% reduction in the increase in council tax needed.**

4 Surplus/Deficit on Collection of Council Tax

- 4.1 As part of setting the council tax we also have to take into account any surplus/deficit on collection from previous years. This includes making provision in the 2010/11 budget resolutions to make good any deficit. Again this information is provided by the district and borough councils, with a statutory deadline of 25 January 2010. As yet we do not have any formal notifications. However, in 2009/10 we had to find funding to cover a net deficit of £0.368 million. As a result provision has been made within the general reserves risk assessment to meet any collection fund deficit (see section 6

below). This will allow members to finalise their 2010/11 budget proposals in advance of the final figures being available.

5 Allocation of Area Based Grant

- 5.1 At the time the initial budget proposals were prepared in December the 2010/11 Area Based Grant (ABG) was estimated to be £33.444 million. Since that time a number of government departments have made minor adjustments to their elements of ABG. The latest ABG figure for 2010/11 is now £33.584 million. Using the same methodology this would increase the top-sliced contribution to fund the overall budget from £0.468 million to £0.472 million.
- 5.2 The draft proposals approved in December recommended that those elements of ABG not linked to partnership working or directly to the LAA priorities and targets should be allocated directly to the services concerned. The remainder of the ABG would be allocated towards funding existing commitments through the continued use of the broader partnership “themed pots” introduced in 2009/10. For each of the themed pots the relevant Strategic Director/Head of Service was asked to identify the key partnership to consult about the allocation of the resource and report back to Cabinet prior to the setting of the 2010/11 budget in early February so that the full allocation of ABG can form part of the budget resolution.
- 5.3 The outcomes from the consultation and hence the proposed allocation of ABG will be incorporated into the report to be tabled on 28 January 2010.

6 Availability of General Reserves

- 6.1 Legislation requires that the Strategic Director, Resources make an annual statement on the adequacy of general reserves and provisions. The Strategic Director, Resources has now completed the risk assessment for 2010/11. This confirms that the minimum level of general reserves it is prudent to retain is £11.2 million, an increase of £2.0 million from the provision determined at this time last year. This includes a provision of £0.350 million to meet any deficit in the collection fund. Therefore, the net position is an underlying risk assessment of £10.850 million. A copy of the risk assessment is attached at **Appendix A**.
- 6.2 At the end of 2008/09 general reserves were £8.897 million. However, there are a number of known changes since 31 March 2009. During the year, there have been a number of actual/expected calls on general reserves reported as part of the quarterly budget monitoring. The effect of these is a net call on reserves of £1.616 million. As a result the forecast level of general reserves at 1 April 2010 is £7.281 million.
- 6.3 The latest forecast of unencumbered general reserves of £7.281 million is below the £11.2 million specified by the Strategic Director, Resources and this shortfall needs to be made good. Rather than requiring members to budget for this shortfall as part of the 2010/11 resolution the Strategic Director,

Resources is proposing that a virement of £0.716 million from the LABGI reserve is made to partially make good the difference.

- 6.4 This virement would result in general reserves increasing to £7.997 million. This is still below the £11.2 million specified by the Strategic Director, Resources in his risk assessment. As a result a further £3.203 million allocation is required as part of the budget resolution to make good the shortfall.
- 6.5 Besides these reserves the Quarter 3 monitoring report shows the authority holding a further £24.344 million reserves, excluding schools. **All** of these reserves are ring-fenced for particular purposes and not available to support general spending. It is the strong advice of the Strategic Director, Resources that no use of reserves is made as part of the 2010/11 budget resolution.
- 6.6 Members should note that there is a cost to using reserves. Each £1 million reserves used results in a loss of earned interest on revenue balances of £5,000 to £10,000 (at interest rates of 0.5% to 1%).

7 2010/11 Budget Resolutions

- 7.1 The Cabinet have already approved provisional 2010/11 revenue and capital budget resolutions. Therefore, these will be updated for the final information and also be tabled at the meeting on 28 January 2010.

DAVID CLARKE
Strategic Director, Resources
Shire Hall
Warwick
11 January 2010

Risks Influencing the Level of General Reserves

Risk Area	Level of Risk	Provision
The potential for "Bellwin" type emergencies. Assuming such costs would attract grants under the Bellwin scheme, this provision would support circa £10 million of spend - sufficient for a major emergency.	Low to Medium	£2.500 million
The possibility of overspending on the "Other Services" budget due to the unpredictable and potentially volatile nature of interest rates or capital receipts not being delivered as planned in the financing of the capital programme.	High	£0.500 million
The likelihood of members making additional, in-year budget allocations to Directorates, or where members have arranged for Directorates to either not repay overspends or phase the repayment of any overspends over a period of more than one year, or where there are difficulties in delivering efficiency savings.	Medium	£2.000 million
The possibility of any further costs arising from legal judgements which would fall on the County Council within one year.	High	£1.500 million
Pay and conditions review. A possibility that the provision made to cover the cost of the implementation of the pay and conditions review is insufficient.	High	£1.000 million
Atherstone-on-Stour costs. The inquiry into the Atherstone-on-Stour incident has yet to publish its findings. In the meantime the authority is continuing to incur significant costs supporting the investigation. By the end of 2009/10 these are expected to be £0.650 million, with further costs anticipated in future years.	High	£1.000 million
Fire Improvement Plan. The decision on the Fire Improvement Plan has been deferred. Therefore, until the shape of the final proposal is known a provision is included for actions arising from the IRMP, pending any decisions on the Fire Improvement Plan.	Medium	£0.350 million
Personal Care at Home. There is a proposal that free personal care for people with the highest needs will be introduced from October 2010, over a third of which is to be funded from efficiencies. Given the level of savings adult social care is already planning to balance the budget there is a risk that sufficient additional efficiencies may not be deliverable.	Medium	£1.000 million
General contingency. This could be supplemented in any one year by a sizeable proportion of earmarked reserves, providing these were replenished as part of the budget process. These could absorb up to £3 million of costs.	Medium	£1.000 million
Sub-total		£10.850 million
Outstanding Council Tax information. Provision to meet any deficits on collection where these are not known at the time the 2010/11 budget is agreed	Medium	£0.350 million
Total		£11.200 million

Note:

The risk assessment excludes the technical impact of any changes in the accounting treatment the collection fund that may be introduced.