

Report of	Meeting	Date
Director of Transformation (Introduced by the Executive Member of Resources)	Executive Cabinet	18 February 2010

2010/11 BUDGET PRINCIPLES

PURPOSE OF REPORT

1. To advise members of the current forecast position for 2010/11 based upon the latest available information.
2. To advise members of the aspirations of the Executive Cabinet in relation to the 2010/11 budget.

RECOMMENDATION(S)

3. That the information and budget principles be approved for consultation/discussion.

EXECUTIVE SUMMARY OF REPORT

4. This report summarises the progress being made towards presenting the Executives proposal for the 2010/11 budget following the confirmation on 28 January 2010 of the final funding figures from government. The analysis shows that after accounting for volume changes eg changes in expenditure and income not associated with policy changes, the Council would have required further saving of £747k to balance the budget in 2010/11. Decision made by the Executive during this year has resulted in that savings target being achieved. Consequently the forecasts are that for the 2010/11 budget is balanced. The budget framework to be adopted by the Executive in constructing its budget and which is currently being finalised will be built on the following principles:

- Containing Council Tax increases
- Protecting businesses from the ongoing impact of the recession
- Continuing to provide value for money
- Protecting front line services
- Preparing for the future and the uncertainty over public finances

REASONS FOR RECOMMENDATION(S)

(If the recommendations are accepted)

5. To update members of the current budgetary forecast position in 2010/11 in advance of the budget setting Council meeting to be held on 2 March 2010.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

6. Not applicable.

CORPORATE PRIORITIES

7. This report relates to the following Strategic Objectives:

Put Chorley at the heart of regional economic development in the Central Lancashire sub-region		Develop local solutions to climate change.	
Improving equality of opportunity and life chances		Develop the Character and feel of Chorley as a good place to live	
Involving people in their communities		Ensure Chorley Borough Council is a performing organization	✓

BACKGROUND

8. In previous years the current Executive Cabinet have been able to present their proposed budget prior to the budget setting meeting at Council. However the ability to do this for 2010/11 has been restricted due to the uncertainty regarding the funding of the concessionary travel scheme. The consultation for a revised distribution mechanism for the funding concluded at the end of December 2009. Confirmation of the sums to be received by Chorley Council was received at the end of January 2010. As the sums involved are significant it has not been possible for the Executive to consider and present its options in the normal way.
9. Given that certainty has now been removed the budget package will be available for debate at the future Council meeting on 2 March 2010.
10. However, the Executive are still keen to seek views on their overall approach to the next year budget and has been consulting on the Budget Principles to be adopted through local press. The Overview and Scrutiny Committee to be held on 15 February 2010 has had the opportunity to discuss and comment on the following principles. A further public consultation is also taking place on those principles.

Budget Principles

11. Set out below are the key principles which the Executive will seek to adopt in constructing it's budget for 2009/10.

Council Tax

12. The Executive have as an overriding principle of each of it's budgets over the last three years aimed to contain Council Tax increases. In 2006 Council Tax was frozen, and the average increase over the financial year 2007/08 to 2009/10 has been 1.4%.
13. **For 2010/11 the Executive will be looking to continue this approach and keep any Council Tax increase as low as possible.**

Protecting Business in Chorley

14. Again over subsequent budgets the Executive have aimed to protect business in Chorley by where ever possible restricting increase in car parking charges and market rents, despite this source of funding being a key increase stream for the Council. **For 2010/11 the Executive will again aim to protect wherever possible local businesses.**

Providing Better Value Services

15. The Executive approach has traditionally, been to provide value for money to the tax payer of Chorley. The efficiencies and savings made historically and the recent use of resources and organisational assessment score provide some evidence that has been achieved successfully.
16. **Over the coming financial planning period 2010/11-2012/13 this approach will be continued.**

Protecting Frontline Services

17. The Executive is clear on this point that savings and efficiencies should wherever possible come from managerial and administrative costs, rather than frontline service.
18. **The approach for 2010/11 will be no different, and the series of restructuring undertaken recently continues this approach.**

Maintaining Frontline Services

19. As the overarching budget approach has been to reduce managerial and administration costs, by design the budget for 2010/11 will look to maintain spending in key priority areas which will mean:
 - Helping to continue to fund the provision of 22 PCSO's in the borough.
 - Continuing to provide free swimming and the Get Up and Go activity programme.
 - Investing in partnership working to help reduce teenage pregnancy, alcohol harm and to encourage active lifestyle.
 - Working to help reduce unemployment in the area.
 - Investing in solutions to reduce the Council's carbon footprint.
 - Improving the Town Centre.
 - Continuing to invest in and provide more affordable homes.
 - Providing street pastors and play rangers to help reduce anti-social behaviour.
 - Completing the building of the Buckshaw railway station.

Preparing for the Future

20. Post 2010/11 the state of the public finances and hence the support the Council will receive from Government is uncertain. Current forecasts indicate there may be cuts in government support rather than any increases? The scale of these reductions in grant is unclear, but could mean a cut of between 10-12% over the next spending period 2011/12 – 2012/13 which will make life very different for local authority budgets. In addition to this the Pension Fund triennial review will become effective from April 2011 and the effects of the recession will continue to impact on local authority budgets for some time.

21. The 2010/11 budget will therefore with this in mind look to prepare the Council for difficult financial time ahead.

Updated Budget Forecasts 2010/11

22. Set at in Appendix A is a summary of the budget forecasts for the next financial year 2010/11. Based upon a continuation budget with no further policy change, the key movements between the two financial years 2009/10 and 2010/11 is also shown.
23. The analysis shows that the Council's cash budget of £15.477m will be reduced to £15.040m for 2010/11 as a result of the savings achieved. This represents a reduction of 0.437 or a 2.8% year on year.

Budget Consultation

24. The Overview and Scrutiny Committee have had the opportunity to scrutinise this budget principles paper and their feedback will be reported verbally to this meeting. Consultation will take place with the business community through the Chamber of Trade through a online consultation with 300 members of the Citizens Panel.

IMPLICATIONS OF REPORT

25. This report has implications in the following areas and the relevant Corporate Directors' comments are included:

Finance	✓	Customer Services	
Human Resources		Equality and Diversity	
Legal		No significant implications in this area	

Financial implications are indicated in the body of the report.

GARY HALL
ASSISTANT CHIEF EXECUTIVE (BUSINESS TRANSFORMATION AND IMPROVEMENT)

There are no background papers to this report.

Report Author	Ext	Date	Doc ID
Gary Hall	5480	3 February 2010	

Analysis of Budget Variations 2009/10 - 2010/11

	2009/10 £000	2010/11 £000
Cash Base Budget Requirement	14,817	15,016
Movements:		
Inflation	156	41
Pay	162	68
Pensions	163	125
Non-Pay	70	25
Contractual	24	(43)
Income	108	90
Increments		
Revenue Effects of the Capital Programme		
Volume - Income	70	(174)
Volume - Expenditure	112	(6)
Investment		
Rebasing of Base Budget	163	
Savings Achieved for 2009/10	(254)	
Savings Proposals	(748)	-
Directorate changes from Dec Draft	244	
Contingency:		
- Management of the Establishment	(70)	110
Directorate & Corporate Cash Budgets	15,016	15,252
Savings Achieved for 2010/11		
Corporate Services Restructure		(220)
Senior Management Restructure		(443)
Contracts		(74)
Other Savings		(10)
Directorate & Corporate Cash Budgets	15,016	14,505
Net Financing Transactions:		
- Net Interest/Premiums/Discounts	103	71
- MRP less Commutation Adjustment	358	464
Total Expenditure	15,477	15,040
Financed by:		
Council Tax - Borough	(6,305)	(6,320)
Parish Precepts	594	594
Council Tax Parishes	(594)	(594)
Aggregate External Finance	(8,358)	(8,487)
LAA Reward Grant	(150)	(150)
Area Based Grant	(23)	(29)
LABGI Grant	(150)	(75)
Collection Fund Surplus	16	20
Use of General Balances	(273)	-
Use of General Balances (Concessionary Travel)	(234)	
Total Financing	(15,477)	(15,040)
Net Expenditure	(0)	(0)
Analysis of Net Expenditure (Budget Gap)		
Net Expenditure in Year	(0)	(0)

Key Assumptions	2010/11
	%/£
Pay Award	0.5%
Increase in Pension Contribution	1.0%
Increase in Grant Settlement	£129k
Increase in Council Tax	0%
Performance Reward Grant	£150k
Housing & Planning Delivery Grant	£102k

BUDGET UPDATE			
Variances from 2009/10 Budget	£'000	£'000	Comments
1) External Factors			
Concessionary Travel Grant/Pooling Adj.	(426)		Redistribution of grant agreed for 2010/11.
Increase in Government Settlement	(129)		Represents a 1.5% increase from 2009/10.
		(555)	
2) Savings Achieved			
Corporate Services Restructure	(220)		In line with report to Executive Cabinet 3/12/09.
Senior Management Restructure	(443)		In line with report to Executive Cabinet 12/11/09.
Energy saving on Indoor Leisure contract	(20)		Various energy saving measures, eg, insulation of the pool during non use hours.
Rephasing of ISP contract with LCC	(15)		Higher implementation costs resulted in lower ongoing revenue costs.
Other contract savings	(22)		Various minor savings achieved across directorates.
Corporate Policy Consultancy	(12)		Reduced budget provision required as work done internally.
BT ESP8 lines move to broadband	(5)		Continuation of the programme to replace expensive data connections
Pre-Application planning advice	(10)		Introduction of new charges as per report.
		(747)	
3) Volume Changes			
Employees			
Pay	(7)		Reduced pay award in 2009/10, and 0.5% provision for 2010/11.
Pensions	60		Increase in pension rate by 1% for 2010/11
Increments	90		
		143	
Other Expenditure			
Non Domestic Rates	31		Increase in rates resulting from revaluations, in particular car parks.
Markets Refuse Contract	16		Market Walk have increased the refuse collection cost
Local Development Framework	50		This is the additional contribution required to LDF reserve for 2010/11.
Liberata Contract	13		Inflationary increase on contract.
Duxbury Park Coach House Rent	12		
Lancashire Economic Partnership subscriptions	(14)		LEP annual subscriptions have reduced by £14k
External Audit (incl. Shared Services & IFRS)	13		Increased costs to cover Shared Services and IFRS issues.
Shared Assurance Services recharge	(12)		Reduction in recharge to SRBC in line with SRBC draft budget.
IT costs for Gov. Connect Security	12		New requirement for annual security testing to enable us to use Gov Direct
Fuel (Petrol/Diesel)	22		Budget now brought into line to reflect price increases over last two years.
		143	
Income			
Reduction in Parking Fees/Permits income	119		To bring in line with forecast income in 2009/10 as reported in budget monitoring.
Reduction in Planning/Building Control Fees income	43		Budget rebased in line with 2008/09 income volumes and 2009/10 forecast.
Saving from Shared Enforcement Officer not achieved	23		Proposed saving not achieved as shared service not yet implemented.
Saving from Shared Head of Revs & Bens not achieved	25		Proposed saving not achieved as shared service not yet implemented.
Income from Street Naming/Numbering not achieved	10		Slowdown in housing developments, budget phased to rise back over next 3 years.
Land Charges income (increase in fees)	(19)		Increase in fees in line with report to Cabinet.
Cotswold House Rents/Voids	(28)		Increased voids based on 2008/09 void rates
Cotswold House - Lifeskills Grant	(20)		Supporting People Grant to fund Life Skills coordinator post
Reduction in Recharges to Capital Schemes	50		Recharges adjusted to reflect Capital programme.
Shared Financial Services recharge	(17)		Inflationary increase in recharge to SRBC for 2010/11.
Buckshaw Waste Collection charges	(14)		Budget rebased in line with 2008/09 income and 2009/10 forecast.
Astley Park Catering	(12)		Contract with Southcott Catering Ltd allows for increased rent to year 5.
Housing & Planning Delivery Grant	(25)		Extra revenue income as no capital / revenue split based on 09/10 announcement.
Cemetery Income	15		Budget rebased in line with 2008/09 income and 2009/10 forecast.
Benefits Admin Subsidy Grant	19		Further 2.5% reduction in grant awarded by DWP for 2010/11.
		169	
Other Changes			
Net Financing	74		Increased cost of borrowing predominantly for recycling and reduction in investment interests
Housing & Council Tax Benefits	68		Based on predicted increase in volume and rent levels for 2010/11.
Reduction in use of LABGI grant	75		Reduced use of grant for 2010/11 as outlined in 2009/10 budget papers.
Increase in Council Tax Base	(19)		Represents 0.3% increase in Council Tax Base for 2010/11.
Reduction in Management of the Establishment savings target	50		Reduction based on reduced number of Senior Management posts.
Reduction in Procurement/Efficiency savings target	60		Significant savings achieved over recent years therefore unlikely to maintain.
Additional Area Based Grant	(6)		Additional grant awarded for 2010/11.
Use of General Balances 2009/10	273		No use of general balances for 2010/11
Use of General Balances (Concessionary Travel) 2009/10	234		No use of general balances for 2010/12
Deficit on Collection Fund	20		
Other minor variances	18		
		847	
Budget Gap 2010/11	0	0	