

Subject: Budget Update for Budget Setting 2009/10
Date of Meeting: 2nd December 2008
Report of: Interim Director Finance & Resources
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Wards Affected: All

FOR GENERAL RELEASE

1. SUMMARY AND POLICY CONTEXT:

- 1.1 The Cabinet on the 12th February 2009 will recommend a revenue budget and council tax for 2009/10, a capital resources and capital investment programme and the Housing Revenue Account Budget to full council on 26th February 2009. Overview & Scrutiny Commission will have a chance to review budget proposals at its meeting on the 3rd February 2009. The purpose of this report is to provide the Overview & Scrutiny Commission with an update on the budget to give some background to the issues relating to budget setting in 2009/10.
- 1.2 The Council set out its Medium Term Financial Strategy (MTFS) as part of the Corporate Plan that was agreed at Council on 17th July 2008. This document identified the resources and spending plans for the Council for the period 2008/09 to 2010/11.
- 1.3 The 2009/10 budget is being formulated on the basis of the assumptions in the MTFS in particular the cash limits agreed for service areas, the level of government support and the increase in Council Tax. This report sets out the key assumptions and any changes that have an impact on budget setting for 2009/10.

2. RECOMMENDATIONS

- 2.1 The Overview & Scrutiny Commission note the budget assumptions in setting the Revenue Budget and Council Tax for 2009/10 and the changes that have affected budget projections.
- 2.2 The Overview & Scrutiny Commission note the budget reports that will be presented to Cabinet on 12th February 2009 will be presented to Overview & Scrutiny Commission on 3rd February 2009.

3. RELEVANT BACKGROUND INFORMATION

- 3.1 The 2009/10 budget setting process is set in the context of the council receiving a 3 year local government finance settlement for the period

2008/09 to 2010/11. This settlement covered formula grant, specific grants (including Area Based Grants) and support for the capital programme. Details of the settlement were given in a report to Policy & Resources Committee on the 17th January 2008. An announcement on the Local Government Finance Settlement for 2009/10 is being made on the 26th November 2008, if there are any changes from this announcement a verbal update will be given at the meeting.

- 3.2 The MTFS agreed at Council in July included the following high level financial information for 2009/10 revenue budget:-
- Target Council Tax increase of 3.5%
 - Formula Grant increase of 1.75%
 - Dedicated Schools Grant increase per pupil of 3.6%
 - Cash limit increases for service areas net of 3% efficiency savings
 - Transformation fund to support management capacity and learning & development in the delivery of Value for money.
 - £0.5m recurrent funding for risks

Changes in the budget projections

Pay Award

- 3.3 The 2008/09 budget was based on a pay award of 2.2% with a joint risk provision for pay awards and single status held in contingency against a higher award. The pay negotiations have still not been concluded however the latest employers offer was 2.45%. This increase is covered by the contingency and has been factored in to the 2009/10 budget. The pay award assumption for 2009/10 is 2.3% and any increase above this level would need to be met from the £0.5m risk provision in the 2009/10 budget.
- 3.4 The Single Status/Equal pay negotiations are still ongoing and the contingency funding, less the cost of the increased pay award, remain earmarked for this purpose.

Council Tax Base and Concessionary Fares

- 3.5 The collection fund is forecasting an in-year deficit of £1.7m, of which the council's share is £1.46m. As a result of the projected deficit it has been necessary to revise the tax base projections to reflect a lower number of properties, an increase in the number of student exemptions and property banding changes. The revised tax base projection for 2009/10 has been reduced by 1,223 to 92,360 and this has reduced the estimated revenue from council tax in 2009/10 by £1.5m. The final tax base figure to be used in the 2009/10 budget process will be reported to Cabinet on 15th January 2009.
- 3.6 There have been revised estimates for the concessionary fares budget for 2008/09 due to reduced reimbursement rates and trip numbers than was

previously assumed. This has resulted in a projected underspend of £1.8m in the current financial year.

- 3.7 It is anticipated that £1.67m of the concessionary fares budget underspend will be recurrent and therefore will off set the loss of resources through the reduction in the council tax base in 2009/10. Further details of the council tax base projections and the revised concessionary fares budget were included in the Targeted Budget Management month 4 Report presented to Cabinet on 18th September 2008.

Area Based Grants

- 3.8 The 3 year local government finance settlement included significant changes to the way certain grants were allocated to local authorities through a new area based grant and the ending of certain grants for Brighton & Hove. The council received Neighbourhood Renewal Funding (NRF) of £2.1m in 2007/08 however NRF was replaced in 2008/09 by the Working Neighbourhood Fund (WNF). The council did not qualify for permanent funding from the WNF and will instead receive transitional funding of £1.26m in 2008/09 and £0.5m in 2009/10. Funding for Stronger Safer Communities (SSC) has reduced from £0.5m in 2007/08 to £0.4m in 2008/09 and £0.26m in 2009/10.
- 3.9 The 2008/09 budget package included £0.2m one-off funding to support some of the reduction in NRF and SSC which means the total reduction in support for these areas is £1.1m from 2008/09 to 2009/10. Included in the MTFS is £0.25m recurrent funding to replace in part the loss of grant funding for the highest priority areas. Details of how directorates will manage the net reduction in these resources will be included in the budget report.

Housing & Planning Delivery Grant (HPDG)

- 3.10 HPDG replaced the Planning Delivery Grant from 2008/09 onwards and a new mechanism was introduced for awarding the grant. The council had anticipated a reduction in this grant however the loss was greater than expected and therefore the assumptions for 2009/10 have been amended. In 2007/08 the council received £0.425m in Planning Delivery Grant. The council has been awarded £0.126m HPDG in 2008/09 and it is now anticipated the council will receive a similar award in 2009/10.

Active for Life

- 3.11 The Active for Life grant comes to an end in 2008/09. The programme was supported through Sport England, the Primary Care Trust and the council and would require £0.18m per annum to continue its current programme. Managing the loss of this grant will be included in the budget proposals for 2009/10.

Local Public Service Agreements Round 2 (LPSA2)

- 3.12 The remaining schemes funded through the LPSA pump priming grant will come to an end in 2008/09. LPSA2 does generate reward grant over the next 2 years for the targets achieved by the council with partners, however the level of grant is uncertain. Plans to manage the loss of the pump priming grant and the use of any known reward grant will be included in budget proposals.

Financing Costs

- 3.13 The Treasury Management Policy Statement was presented to Cabinet on 20th November 2008. This report highlighted that our MTFs had assumed our investment income for 2009/10 would average 5%. The impact of the significant interest rate reductions will have a substantial effect on our investment returns. A number of measures are being taken to minimise this impact and the report recommended the surpluses generated on the financing costs budget in 2008/09 are earmarked to contribute towards possible future shortfalls in the investment interest budget.

Energy Costs

- 3.14 During 2008/09 the council has retendered 3 major energy contracts. A report on the electricity contract for sub100kw sites was presented to Policy & Resources Committee on 7th February 2008 and the contract was awarded for the period May 2008 to April 2010. This contract saw an increase in costs of 83% on average. A report on the council's contract for gas was presented to Cabinet on 10th July 2008; this contract was let for the period October 2008 to September 2010 and has seen an increase of 52%. A report to Environment and Community Safety Overview & Scrutiny Committee on the 10th November 2008 highlighted the increased electricity costs for street lighting. This contract has been let for one year and has seen an increase in cost of 57%. The overall impact of all these increased contract costs on 2009/10 will be included in the Budget Report.

Communal Bins

- 3.15 A report on the extension to the communal bins scheme was presented to cabinet on 18th September 2008. This report showed net savings of £0.97m over a 7 year period. Part of these savings will be included in the 2009/10 budget.

Investment in Car Parks

- 3.16 At its meeting of the 18th September 2008, Cabinet approved revised plans for the refurbishment of London Road and Lanes car parks. The total capital investment of £2.01m will be funded using £0.3m from the car parks maintenance reserve and £1.71m from borrowing. The financing costs will be met from additional on street parking income which is expected to

continue on a permanent basis. These changes will be reflected in the 2009/10 budget.

Waste Disposal

- 3.17 The Waste Disposal contract was based on certain assumption on waste arising in the city. It was originally assumed that there would be growth in our waste however the trend in recent years has been that waste has been declining. As a consequence there are savings through the contract for reduced waste and these will be reflected in the 2009/10 waste disposal budget.

Insurance Contract

- 3.18 A report on retendering the council's main insurance cover was presented to Policy & Resources in January 2008 and the contract was let in March, after the budget was set for 2008/09. The tendering exercise resulted in a saving of £0.686m and this was reported to Cabinet on 10th July 2008 as part of the Targeted Budget Management report. The 2009/10 budget will be adjusted to reflect the current insurance premia costs.

Targeted Budget Management (TBM) Month 6

- 3.19 The TBM 6 report was presented to Cabinet on 20th November 2008. This report highlighted the projected underspend in 2008/09 on council controlled budgets of £0.668m. This means that it is anticipated there will be no impact on the overall budget projections for 2009/10 from the 2008/09 budget outturn. As mentioned in paragraph [3.10] the surpluses generated from financing costs in 2008/09 will be earmarked for possible future shortfalls in investment income subject to the overall underspend in the current year.

Capital Receipts

- 3.20 The capital programme set out in the MTFS relies in part on the successful disposal of certain assets and Right to Buy receipts from the sale of council housing. During 2008/09 the number of Right to Buy sales has diminished significantly and the net receipts to the council is now estimated to reduce from £1m to approx £0.25m and will also impact on estimated receipts in 2009/10. The capital programme for 2009/10 will need to reflect the reduction in resources from this source. However it should be noted that only 8% of the capital programme was planned to be funded from capital receipts and a significant proportion has and will be achieved.

4. CONSULTATION

- 4.1 No specific consultation has been undertaken in relation to this report.

5. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 5.1 The report sets out high level budget assumptions and budget changes that will need to be taken into account in setting the 2009/10 budget

Finance Officer Consulted: James Hengeveld

Date: 19th Nov 2008

Legal Implications:

- 5.2 There are no direct legal implication arising from this report. The actions recommended to the Committee in paragraph 2 are in accordance with the Committee's terms of reference, set out in Part 6.1, paragraph 2.1.3 of the Constitution.

Lawyer Consulted: Oliver Dixon

Date: 19th Nov 2008

Equalities Implications:

- 5.3 There are no direct equalities implications arising from this report

Sustainability Implications:

- 5.4 There are no direct sustainability implications arising from this report.

Crime & Disorder Implications:

- 5.5 There are no direct crime & disorder implications arising from this report

Risk and Opportunity Management Implications:

- 5.6 There are no direct Risk & opportunity management implications arising from this report

Corporate / Citywide Implications:

- 5.7 The councils financial position and projections impacts on the level of Council Tax and service levels and therefore has citywide implications.

SUPPORTING DOCUMENTATION

Background Documents

1. The Corporate Plan
2. Reports to Policy & Resources Committee
3. Reports to Cabinet
4. Report to Environment & Community Safety Overview & Scrutiny Committee