

# REPORT TO CABINET

## REPORT OF: CORPORATE HEAD OF FINANCE AND CUSTOMER SERVICES

**REPORT NO: CHFCS84**

**DATE: 4 January 2010**

<b>TITLE:</b>	<b>BUDGET REQUIREMENT 2010/11</b>	
<b>KEY DECISION OR POLICY FRAMEWORK PROPOSAL:</b>	KEY DECISION	
<b>PORTFOLIO HOLDER: NAME AND DESIGNATION:</b>	Cllr Mike Taylor Resources and Assets Portfolio Holder	
<b>CONTACT OFFICER:</b>	Richard Wyles Tel: 01476 406210 Email: <a href="mailto:r.wyles@southkesteven.gov.uk">r.wyles@southkesteven.gov.uk</a>	
<b>INITIAL IMPACT ASSESSMENT:</b>	Carried out and Referred to in paragraph (7) below:	Full impact assessment Required: None
<b>Equality and Diversity</b>		
<b>FREEDOM OF INFORMATION ACT:</b>	This report is publicly available via the Local Democracy link on the Council's website: <a href="http://www.southkesteven.gov.uk">www.southkesteven.gov.uk</a>	
<b>BACKGROUND PAPERS</b>		

### 1. RECOMMENDATIONS

It is recommended that the Cabinet

#### General Fund

1. Notes the provisional settlement for 2010/11.
2. agree a provisional target General Fund Budget Requirement of £16.454m for 2010/11 (inclusive of Special Expenses) for consultation purposes. This provisional target is based on a 2.5% Council Tax increase.

3. Request public feedback from the local forum meetings in January and consultation contained within SKtoday and the Council's website, in time for its consideration of the budget plans in February.
4. agree to review the target at recommendation 2 above, at the Cabinet meeting in February, in light of the outcome of consultation and other updated information.
5. agree to update the naming of the Capacity Building Priority Setting and Service Improvement reserve to the Priority Themes and Service Improvement reserve)

#### Housing Revenue Account

6. Approve an indicative rent increase for consultation purposes with the Tenant consultation forums on options for rent increases.
7. agree to review the proposed rent increase at recommendation 5 above, at the February Cabinet Meeting, in light of consultation, together with proposals regarding garage rents and other service charges.

#### Capital Programme

8. agree to receive detailed reports setting out recommendations for the Capital Programme for both the General Fund and Housing Revenue Account, at the February Cabinet Meeting.

## **2. PURPOSE OF THE REPORT/DECISION REQUIRED**

The purpose of this report is to comment upon:

1. The updated Local Government Finance Settlement for 2010/11.
2. The budget requirement
3. Use of reserves.
4. Housing rent proposals 2010/11

This report sets out the settlement details and provides details for Cabinet to undertake consultation on the budget requirement for the General Fund and the Housing Revenue Account for 2010/11. Further work is ongoing in providing the detailed budget information which will be submitted to Cabinet and Council in due course prior to the setting of Council Tax. Members are asked to consider the

contents of this report and also confirm the proposals for formal budget consultation to be undertaken during January.

### **3. DETAILS OF REPORT**

#### **Provisional Local Government Finance Settlement 2010/11**

The Local Government Minister announced the provisional final year (of the three year settlement arrangement) Local Government Finance Settlement for 2010/11 on 26 November 2009. This settlement is the final year of the three year settlement and has been launched for consultation which will end on 6 January 2010.

There has not been a change to the provisional allocation for 2010/11 (£10.147M). In real terms this allocation represents an increase of 1.20% compared with the 2009/10 settlement. The Government expects local authorities to continue to contribute significant efficiency savings in order to invest in improving services (front line) and/or to keep council tax increases to a minimum.

#### Housing and Planning Delivery Grant

This is the Department of Communities and Local Government incentive based grant regime which was introduced in 2007 to reward local authorities for improved delivery of housing and other planning outcomes as part of their strategic place shaping role and to provide more support to communities and local councils who are actively seeking to deliver new homes.

The announcement on 1 December 2009 was in respect of the provisional allocations for year 2 and follow changes to the allocation mechanism (in response to the consultation undertaken earlier in 2009). The Government's formal response to the consultation will be made with the announcement on the final allocations by the end of February 2010. The provisional allocation for 2009/10 is £736K and is a significant financial sum for the Authority.

Spending proposals will need to be formulated for the use of the grant and will be presented to Cabinet at a later date following the confirmation of the allocation amount. The spending plans will be focussed around service improvement and delivery of the Local Development Framework but will be in respect of one-off expenditure (and not on-going expenditure) and will be utilised between revenue

and capital (67.50% and 32.50% respectively) in accordance with the grant terms.

#### Housing Benefit Administration Grant

This grant is a Department of Work and Pensions specific grant to help support the cost of housing benefit administration and the funding of anti-fraud measures. The allocation of housing benefit administrative subsidy has been announced and the Council will receive £768,068 in respect of administration subsidy (£731,494 in 2009/10) and additional an additional subsidy amount of £118,493 (£103,847 in 2009/10). The latter amount is in response to the economic downturn and the acknowledgement that there has been a significant caseload increase for local authorities. The total administration grant is £886,561 which represents an increase of 6.13% compared to 2009/10.

#### Homelessness Prevention Funding

Homelessness grant allocation has been announced at £55,000 for 2010/11. This specific grant is currently used to financially support the rent deposit scheme, Women's Aid support service and a mediation service. Other current initiatives funded from the homelessness grant award is in respect of a court desk service at Grantham County Court and is available to anyone facing repossession of their home. The advice given ranges from debt advice and homelessness prevention. This service is provided by South Kesteven Citizens Advice Bureau and funding is provided to maintain the service.

#### Concessionary Fares

This is a specific grant in relation to the operation of the National Bus Concessionary Fares scheme. In November the Government issued a consultation paper which seeks to re-distribute the specific grant in response to concerns that the original grant distribution method may have awarded some Councils more grant than was necessary to meet the costs of the change in the statutory scheme. This Council has been identified in the review and as such the proposal is to reduce the specific grant for 2010/11 from £398K to £190K – a reduction of £208K. This reduction in grant, if it is imposed, will place a further financial pressure on the Council and mean that the grant reduction may need to be met from the Council's revenue reserve in order to meet the costs of the scheme.

#### Area Based Grants

There have been two awards for the district council in respect of community cohesion and climate change. In respect of community cohesion the award is £75,000 for 2010/11. In respect of climate change the allocation is £22,500 for 2010/11. The spending proposals in respect of these grants will be incorporated into the budgets for 2010/11.

## **General Fund Budget Requirement, Capping and Reserves**

### Council tax increase

The proposed target budget requirement is based on an indicative council tax increase of 2.50% for 2010/11. This proposed increase will be the subject of public consultation during the public local forums during January 2010. In addition consultation is currently underway via feedback from the SKtoday article and the on-line survey on the Council website. The findings of the feedback together with the detailed proposed budget expenditure for 2010/11 will enable the proposed target budget requirement to be reviewed and submitted to the February meeting.

As part of the consultation process Members are advised to formally ask residents' views on three proposals ranging from a council tax standstill (ie 0%), a 2.5% increase (equivalent of a Band D increase of £2.99 for the year) or a 3.5% increase (equivalent of a Band D increase of £4.19 for the year). During the consultation other increase proposals may be expressed which will be considered by Cabinet at their February meeting.

### Capping

The Government has reserved powers to cap local authority budget requirements where it judges authorities to have set excessive increases.

On 26 November 2009 the Local Government Minister, Barbara Follett, said that given the current level of inflation and the resources made available in the settlement, the Government will expect to see the average Band D council tax increase in 2010/11 to be the lowest for at least sixteen years. The average increase for the current year (2009/10) was 3% which was the lowest since 1994/95. The Government expects to see it fall further next year while ensuring that Councils protect front line services and continue to deliver efficiencies.

### Reserves and Balances held by the Council

When considering the Budget requirement, the Cabinet must also have regard to the level of balances held and the purpose for which they are held. The general fund working balance, at 31<sup>st</sup> March 2009 was £2.239m, this is set at 12.4% of the net general fund expenditure. The level of the working balance provides adequate cover for any unanticipated expenditure or loss of income that may occur over the course of the financial year. The council has adopted an accounting policy that the working balance of the General Fund is maintained at between 4.4% to 5% of gross turnover or between 10% to 15% of net expenditure. This is in line with good practice and ensures the Council can meet any exceptional unforeseen costs during the course of the financial year. However this policy may need to be reviewed and updated in the future as levels of balances are reviewed as part of the medium term financial planning.

Work is still being undertaken on the proposed utilisation of reserves and the report to Cabinet in February will provide detailed recommendations on the use of reserves once the full impact of the revised estimates and proposed capital programme for both general fund and housing revenue account have been assessed and financially modelled.

The council's specific reserves (General Fund) are shown in the table 3.

Table 3

Specific Reserves and Capital Resources Source:	Balance as at 31.3.09 £k
Revenue Reserves	
Insurance Reserve	546
Building Control Reserve	218
Special Expense Reserve	28
Priority themes and Service Improvement Reserve	1,006
Pension Reserve – Former Employees	314
Pension Reserve – Current Employees	1,480
Capital Reserves	
Capital Reserve	1,557

Detailed analysis of their use in the current financial year is undertaken with projections for their proposed use during the next three years. Further details regarding this will be given at the February meeting.

The specific reserves relating to Insurance and Pensions are maintained at required levels to ensure that the Council Tax is not unduly influenced by changes in pension contributions or insurance market fluctuations.

The Building Control Reserve is held to ensure that in accordance with the accounting requirements the Building Control chargeable function must break-even over a three year period of time. This reserve has been used in recent financial years as the chargeable element of the service has not been able to reach a breakeven position.

The Capacity Building Priority Setting and Service Improvement reserve (to be renamed priority themes and service improvement reserve) is held to support the sustainable funding of investment in priority areas and service improvements. However it must be stressed that this should not be used as a source funding on a ongoing basis but rather to support one-off needs for additional spending to improve service delivery to the tax payers.

The council's Capital Reserve is utilised to fund the general fund capital programme. The capital programme provides for substantial investment in maintaining existing assets and delivery of new assets and priorities. The Cabinet will receive a detailed report providing recommendations for the Capital Programme for both General Fund and Housing Revenue at its meeting in February.

### **Housing Revenue Account - Rent Setting for 2010/11**

#### Housing Revenue Account – Rent Setting 2010/11

Due to the lateness of both the rent setting determination and the Housing subsidy determination 2010/11 it has not been possible to include the proposals in the report. Members will be updated on the proposals and the anticipated rental increase for 2010/11 at its meeting on 4 January 2010.

#### **4. OTHER OPTIONS CONSIDERED**

There are no alternative options necessary in respect of this report.

#### **5. RESOURCE IMPLICATIONS**

This report details the budget requirement for 2010/11.

#### **6. RISK AND MITIGATION (INCLUDING HEALTH AND SAFETY AND DATA QUALITY)**

N/a

**7. ISSUES ARISING FROM EQUALITY IMPACT ASSESSMENT**

N/a

**8. CRIME AND DISORDER IMPLICATIONS**

N/a

**9. COMMENTS OF SECTION 151 OFFICER**

My comments are included in the report.

**10. COMMENTS OF MONITORING OFFICER**

The recommendations relate to proposals for the budget which forms part of the budgetary and policy framework. Members must consult with residents on the proposals contained within this report in accordance with statutory regulation and constitutional requirements.