

**Committee:** Finance & Administration

**Agenda Item**

**Date:** 12 October 2009

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**Title:** 2010/11 Budget Strategy

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Item for  
decision

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### Summary

- 1 This report summarises the financial outlook for 2010/11 and asks Members to approve a strategy for drawing up the 2010/11 budget.
- 2 Based upon the approved strategy officers will draw up a proposed budget for discussion by the relevant Committees in the January cycle. Final determination will be by the Finance & Administration Committee on 9 February and Full Council on 18 February.

### Recommendations

- 3 The Committee is recommended to approve the 2010/11 Budget Strategy as set out in this report.

### Background Papers

Medium Term Financial Strategy (as revised)

### Impact

Communication/Consultation	Consultation will be carried out on Council spending priorities.
Community Safety	None
Equalities	None
Finance	Set out in the report
Human Rights	None
Legal implications	It is a legal requirement to ensure a balanced budget.
Sustainability	The budget is to be set within the context of the Medium Term Financial Strategy which is designed to ensure stability and sustainability of budget decisions.
Ward-specific impacts	None
Workforce/Workplace	None

## Outlook

- 4 The following is a summary of the outlook for 2010/11, extracted from the updated Medium Term Financial Strategy. It shows that after allowing for a planned withdrawal from the Budget Equalization Reserve, a residual savings target of £200,000 needs to be met.

<b>2010/11 outlook – General Fund</b>	£m
Service expenditure	33.495
Service Income	-23.515
<b>Net service expenditure</b>	<b>9.980</b>
Capital financing costs	0.329
Investment income	-0.080
Transfers to HRA	-1.137
Pension Fund Deficit Contribution	0.370
Pension Fund Added Years Contribution	0.095
Working Balance top up	0.073
Withdrawal from Budget Equalization Reserve	-0.403
<b>Net budget requirement</b>	<b>9.227</b>
<u>Funding available</u>	
Local Government Finance Settlement (0.5% increase)	-4.106
Council Tax (assumes 3.9% increase)	-4.843
Collection Fund surplus	-0.078
<b>Total funding available</b>	<b>-9.027</b>
<b>Savings target</b>	<b>0.200</b>

## Budget Strategy

- 5 The budget strategy consists of key actions, assumptions and inflation assumptions as set out below.

### Key actions

- 6 The following actions will be progressed during the 2010/11 budget process:
- The public are being consulted on the Council's spending priorities in the current issue of Uttlesford Life and online.
  - Views of the business community will be sought and the statutory NNDR consultation will be carried out.

- c) The Service Planning timetable has been brought forward and integrated with budget planning.
- d) Strategic Solutions will be progressed in order to meet the savings target of £200,000.
- e) Each line in the budget will be scrutinised by the responsible Head of Division and service accountant with subsequent review by the Chief Finance Officer and Strategic Management Board.
- f) New policies relating to Pricing & Concessions and Debt Recovery will be implemented during 2010/11.
- g) A review of the Council's discretionary NNDR relief policy will be initiated with a view to implementation during 2010/11.
- h) Resources will be allocated to improving the Council's procurement arrangements with external funding assistance requested to support this.
- i) A new Asset Management Plan will be prepared that sets out how the Council's property assets will be used to deliver corporate priorities.
- j) Funding will be allocated to ensure that the Benefits service is adequately resourced to cope with expected increase in caseload and to ensure smooth transition into shared services partnership.
- k) The Capital Programme will be reviewed by the Capital Officer Working Group before proposals are put to Members.
- l) Greater transparency will be achieved in relation to the recharge of costs from the General Fund to the Housing Revenue Account.

### **Key assumptions**

- 7 The following are the key assumptions underpinning the budget process:
  - a) No additional financial provision will be required to meet potential losses relating to the Landsbanki deposit, other than the funds already earmarked in the Landsbanki Contingency Fund.
  - b) Unspent monies as at 31 March 2009 and from the 2009/10 budget relating to Stansted G1 and G2 will be carried forward and earmarked for Stansted-related activity, with no new budget provision made in 2010/11.
  - c) There will be no overspend in 2009/10 that requires replenishment of reserves, but the Working Balance will be topped up in line with MTFS principles.

- d) Any award of monies under the Local Authority Business Growth Incentive Scheme will be earmarked to support the business community with a neutral effect on bottom line assumed for budget purposes.
- e) Similarly any award of monies under the Housing & Planning Delivery Grant Scheme will be earmarked to support Housing & Planning initiatives with a neutral effect on bottom line assumed for budget purposes.
- f) Interest rates will remain low and investment income will be broadly in line with 2009/10 levels.

### **Inflation assumptions**

- 8 The following are the key inflationary assumptions to be used when producing budgetary estimates. Where definitive information becomes available, that will be used instead of the planning assumptions to ensure that estimates are as robust as possible.
- a) Local Government Finance Settlement increase of 0.5% in line with provisional announcement (to be confirmed in January)
  - b) Council Tax rise of 3.9%
  - c) Council Taxbase increase of 0.5%
  - d) Staff pay award – 1%
  - e) Members allowances – 1%
  - f) Employer's pension contribution – increase from 11.7% to 12.5% of pay (already notified by Essex Pension Fund)
  - g) Supplies and services where contractual indexation applicable – in line with contractual provisions
  - h) Supplies and services where no contractual indexation is applicable – 0%
  - i) Energy costs – the planning assumption is 10% pending detailed review
  - j) Housing Benefits (private tenants) – 3% rent increase, 10% caseload increase
  - k) Housing Benefits (council tenants) – 3% rent increase, no caseload increase
  - l) Council Tax Benefit – 2.5% council tax increase, 5% caseload increase
  - m) Fees & charges income – the planning assumption is that there will be a net nil increase overall but increases will be applied in line with approved fees & charges, pricing policy and estimates of demand and activity.

**Risk Analysis**

Risk	Likelihood	Impact	Mitigating actions
Changes in circumstances and/or new information becomes available that affects the assumptions in the budget strategy	2 (inherent risk of variability in any budget model)	3 (sums involved are potentially significant)	<p>A detailed risk assessment will be prepared and incorporated with budget approval papers in February.</p> <p>The Working Balance is to be maintained at a minimum safe contingency level.</p> <p>Medium Term Financial Strategy outlines clear criteria for decision making.</p>

1 = Little or no risk or impact

2 = Some risk or impact – action may be necessary.

3 = Significant risk or impact – action required

4 = Near certainty of risk occurring, catastrophic effect or failure of project.